



**UMZIMVUBU**  
— LOCAL MUNICIPALITY —

## ***FINANCIAL STATEMENTS***

***30 June 2013***

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## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 June 2013**

<b>Mayor</b>	<b>Speaker</b>	<b>Chief Whip</b>
KS Pangwa	ZO Sisilana	N Mbele
<b>Members</b>	<b>Portfolio</b>	
MV Nkqayi	Infrastructure and Planning	
VA Bulana	Community Services	
LT Qasha	Corporate Services	
Z Ndevu	Budget and Treasury	
EN Ngalonkulu - Lebelo	Communications and SPU	
N Mpumlwana	Local Economic Development	
N Nkula	Exco Member	
PK Thingathinga	Exco Member	

### **AUDITORS**

Auditor-General  
East London  
Eastern Cape

### **BANKERS**

First National Bank  
Mount Frere

### **REGISTERED OFFICE**

Erf 813 Main Street  
Mount Frere

Private Bag X9020  
Mount Frere  
5090

Tel: (039) 255 0166  
Fax: (039) 255 0167

Webpage: [www.umzimvubu.gov.za](http://www.umzimvubu.gov.za)

### **MUNICIPAL MANAGER**

Mr. G.P.T. Nota

### **CHIEF FINANCIAL OFFICER**

Mrs X. Venn

## **GENERAL INFORMATION (continued)**

### **LEGAL FORM**

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

### **OBJECTIVES**

The municipality strives, within its financial and administrative capacity, to achieve the following objects:

- to provide democratic and accountable government for local communities
- to ensure the provision of services to communities in a sustainable manner
- to promote social and economic development
- to promote a safe and healthy environment
- to encourage the involvement of communities and community organisations in the matters of local government

### **GRADING**

Grade 3

### **JURISDICTION**

Greater Umzimvubu area which includes:  
Mount Frere, Mount Ayliff  
and  
various rural areas

**2012/13**

**MEMBERS OF THE UMZIMVUBU LOCAL MUNICIPALITY  
COUNCILLORS**

<b>WARD</b>	<b>PROPORTIONAL</b>
1 FJ Hem	N Nkula
2 AL Mwezula	SP Myingwa
3 MV Nkqayi	EN Ngalonkulu-Lebelo
4 MM Mpepanduku	N Mpumlwana
5 M Mpakumpaku	NE Pakkies
6 X Jona	T Mabindisa
7 NM Mlenzana	MM Gwanya
8 M Jojo	AZ Gwebani
9 ZJ Mendu	N Boyce
10 V Nyangane	NO Godlo
11 N Gogela	LT Qasha
12 ZB Mtebele	B Mngweba
13 CT Ndawo	NP Mlandu
14 BMA Zililo	UN Makanda
15 N Sonyabashi	PK Thingathinga
16 SAN Cekeshe	TA Mambi
17 S Mankanku	F Ntwakumba
18 NT Xezu	ZO Sisilana
19 N Jijana	N Mbele
20 V Ngabaza	KS Phangwa
21 FN Ngonyolo	NN Gcadinja
22 CM Ngalonkulu	VA Bulana
23 BT Ngqasa	N Mpanda
24 MH Kwekwile	SK Mnukwa
25 NA Sobahle	Z Ndevu
26 NP Ndabeni	B Ripa
27 S Nogcantsi	NA Matshongo

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 83-86 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Mr. G.P.T. Nota**  
**Municipal Manager**

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**Date**

**These Financial Statements have not been audited**

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**

## 1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umzimvubu Local Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, and an increase in both Non-current and Current Assets as well as Current Liabilities and Non-Current Liabilities.

The increase in Current Assets are mainly attributed to the increase in VAT Receivable, R2 million and Cash and Cash Equivalents, R15 million. The increase in Non-Current Assets is due to the increase in Property, Plant and Equipment of R17,8 million. Current Liabilities mainly increase due to an increase in Unspent Conditional Grants, R24 million. The increase in Non-Current Liabilities is due to the revaluation of the rehabilitation of the landfill sites at R3.6 million.

## 2. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The services offered by Umzimvubu Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	245 581 492	246 389 378	(0.33)	-	100.00
Operating income for the year	185 115 901	135 695 887	36.42	227 092 799	(18.48)
Appropriations for the year		-	-	-	-
	430 697 393	382 085 265	12.72	227 092 799	89.66
<b>Expenditure:</b>					
Operating expenditure for the year	177 954 119	136 503 772	30.37	162 373 690	9.60
Sundry transfers			-	-	-
Closing surplus / (deficit)	252 743 274	245 581 492	2.92	64 719 109	290.52
	430 697 393	382 085 264	12.72	227 092 799	89.66
		0			

### 2.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	182 454 070	133 689 274	36.48	226 782 357	(19.55)
Expenditure	167 604 681	128 664 315	30.27	192 060 494	(12.73)
Surplus / (Deficit)	14 849 388	5 024 960	195.51	34 721 863	(57.23)
Surplus / (Deficit) as % of total income	8.14%	3.76%		15.31%	

### 2.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	2 661 831	2 006 613	32.65	1 015 842	162.03
Expenditure	10 349 438	7 839 457	32.02	10 276 658	0.71
Surplus / (Deficit)	(7 687 607)	(5 832 845)	31.80	(9 260 816)	(16.99)
Surplus / (Deficit) as % of total income	(288.81)%	(290.68)%		(911.64)%	

### 3. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R93 831 317 (2011/12: R400 298 072). Full details of Assets are disclosed in Notes 9, 10, 11, 12 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R93 831 317 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Grants and Subsidies	49 895 742	42 481 622	17.45	106 719 109	(53.25)
	49 895 742	42 481 622	17.45	106 719 109	(53.25)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
Grants and Subsidies	100.00%	100.00%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

### 4. RECONCILIATION OF BUDGET TO ACTUAL

#### 4.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	64 719 109	37 410 884
Revenue variances	(41 976 898)	(44 945 203)
Expenditure variances:		
Employee Related Costs	20 100 794	3 680 937
Remuneration of Councillors	(13 219 975)	(1 076 758)
Collection Costs	-	-
Depreciation and Amortisation	21 777	(4 180 816)
Impairment Losses	3 495 777	442 190
Repairs and Maintenance	(37 557)	(1 265 700)
Interest Paid	(951 656)	(645 232)
Contracted Services	732 991	1 014 903
Grants and Subsidies Paid	(26 271 918)	478 642
General Expenses	(1 446 885)	7 459 081
Government Grants (Conditional)	2 035 188	819 185
Loss on disposal of Property, Plant and Equipment	(38 967)	-
Actual surplus before appropriations	7 161 782	(807 885)



DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	25 461 047	37 410 884
Executive and Council	917 847	1 003 496
Finance and Administration	(4 286 473)	(20 257 098)
Planning and Development	(17 650 713)	(17 515 980)
Community and Social Services	(1 266 163)	964 677
Public Safety	2 413 027	(112 065)
Waste Management	1 573 209	(2 301 799)
Actual surplus before appropriations	7 161 782	(807 885)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a short explanation of significant variances of more than 10% from budget, are included in the "Budget Statement".

#### 4.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	910 058	44 666	865 393	808 000	102 058
Finance and Administration	3 420 856	402 829	3 018 027	1 692 016	1 728 840
Planning and Development	221 591	437 817	(216 226)	8 020 924	(7 799 333)
Community and Social Services	17 680 253	5 171 272	12 508 981	31 620	17 648 633
Public Safety	1 237 693	-	1 237 693	1 710 000	(472 307)
Waste Management	795 284		795 284	1 631 620	(836 336)
Roads and Transport	25 630 006	36 425 038	(10 795 032)	92 824 929	(67 194 923)
	49 895 742	42 481 622	7 414 120	106 719 109	(56 823 367)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with the "Budget Statement" where a short explanation of significant variances of more than 10% from budget are given.

#### 5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R252 743 274 (30 June 2012: R245 581 492) and is made up as follows:

Capital Replacement Reserve	5 014 475
Capital Contributions from Government	246 902 219
Accumulated Surplus	826 580
	<u>252 743 274</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capital Contributions from Government are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

#### 6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R588 079 (30 June 2012: R936 730).

Refer to Note 18 and Appendix "A" for more detail.

#### 7. NON-CURRENT PROVISIONS

Non-current Provisions amounted R9 989 493 as at 30 June 2013 (30 June 2012: R6 126 599) and is made up as follows:

Provision for Long-term Service	868 290
Provision for Rehabilitation of Land-fill Sites	9 121 203
	<u>9 989 493</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

## 8. CURRENT LIABILITIES

Current Liabilities amounted R38 125 391 as at 30 June 2013 (30 June 2012: R13 020 121) and is made up as follows:

Provisions	Note 13	72 985
Payables	Note 14	10 695 825
Unspent Conditional Grants and Receipts	Note 16	25 769 055
Bank Overdraft	Note 7	510 138
Current Portion of Long-term Liabilities	Note 18	348 650
		<u>37 396 653</u>

## 9. CURRENT ASSETS

Current Assets amounted R54 544 018 as at 30 June 2013 (30 June 2012: R36 680 242) and is made up as follows:

Inventories	Note 2	482 117
Non-current Assets Held-for-Sale	Note 3	-
Receivables from Exchange Transactions	Note 4	82 205
Receivables from Non-exchange Transactions	Note 5	1 631 823
VAT Receivable	Note 6	2 729 459
Cash and Cash Equivalents	Note 7	49 511 900
Operating Lease Assets	Note 8	106 514
		<u>54 544 018</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

## 10. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

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CHIEF FINANCIAL OFFICER

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>54 544 018</b>	<b>36 680 242</b>
Inventories	2	482 117	451 017
Non-current Assets Held-for-Sale	3	-	75 240
Receivables from Exchange Transactions	4	82 205	104 968
Receivables from Non-exchange Transactions	5	1 631 823	635 728
VAT Receivable	6	2 729 459	769 944
Cash and Cash Equivalents	7	49 511 900	34 559 735
Operating Lease Receivables	8	106 514	83 610
<b>Non-Current Assets</b>		<b>246 902 219</b>	<b>228 984 700</b>
Property, Plant and Equipment	9	231 601 459	213 785 837
Intangible Assets	10	997 041	895 144
Investment Property	11	14 286 000	14 286 000
Heritage Assets	12	17 719	17 719
<b>Total Assets</b>		<b>301 446 237</b>	<b>265 664 942</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>38 125 391</b>	<b>13 020 121</b>
Provisions	13	72 985	134 107
Payables from Exchange Transactions	14	10 695 825	9 793 108
Payables from Non-exchange Transactions	15	728 738	1 036 722
Unspent Conditional Grants and Receipts	16	25 769 055	1 737 435
Bank Overdraft	7	510 138	-
Current Portion of Long-term Liabilities	18	348 650	318 749
<b>Non-Current Liabilities</b>		<b>10 577 572</b>	<b>7 063 329</b>
Long-term Liabilities	18	588 079	936 730
Non-current Provisions	19	9 989 493	6 126 599
<b>Total Liabilities</b>		<b>48 702 963</b>	<b>20 083 450</b>
<b>Total Assets and Liabilities</b>		<b>252 743 274</b>	<b>245 581 492</b>
<b>NET ASSETS</b>		<b>252 743 274</b>	<b>245 581 492</b>
Accumulated Surplus / (Deficit)	20	252 743 274	245 581 492
<b>Total Net Assets</b>		<b>252 743 274</b>	<b>245 581 492</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	21	10 787 418	9 114 470
Fines		438 192	778 265
Licences and Permits		2 110 477	2 161 159
Income for Agency Services		1 295 379	1 072 014
Government Grants and Subsidies Received	22	161 673 380	115 026 234
Public Contributions and Donations	23	6 000	12 200
<b>Revenue from Exchange Transactions</b>			
Service Charges	24	2 116 831	2 006 595
Rental of Facilities and Equipment	25	1 533 764	885 430
Interest Earned - External Investments	26	2 250 781	2 127 973
Interest Earned - Outstanding Debtors	26	1 138 910	427 813
Other Revenue	27	1 764 770	2 083 734
<b>Total Revenue</b>		<b>185 115 901</b>	<b>135 695 887</b>
<b>EXPENDITURE</b>			
Employee Related Costs	28	39 563 919	33 939 533
Remuneration of Councillors	29	13 219 975	13 113 451
Depreciation and Amortisation	30	31 978 223	29 180 816
Impairment Losses	31	6 504 223	7 757 810
Repairs and Maintenance		2 520 519	5 430 692
Finance Costs	32	972 496	664 232
Contracted Services	33	2 138 509	639 097
Grants and Subsidies Paid	34	29 171 918	3 422 676
General Expenses	35	43 678 762	38 249 651
Government Grants (Conditional)	36	8 166 609	4 105 815
Loss on Disposal of Property, Plant and Equipment		38 967	-
<b>Total Expenditure</b>		<b>177 954 119</b>	<b>136 503 772</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>7 161 782</b>	<b>(807 885)</b>
<b>Refer to Budget Statement for explanation of variances</b>			

# UMZIMVUBU LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Total
<b>2012</b>	R
Balance at 30 June 2011	246 356 844
Correction of Error (Note 38)	32 533
<b>Restated Balance 30 June 2011</b>	<b>246 389 378</b>
Surplus / (Deficit) 2011/12	(918 426)
<b>Balance at 30 June 2012</b>	<b>245 470 952</b>
Correction of Error (Note 38)	110 541
<b>Restated Balance 30 June 2012</b>	<b>245 581 492</b>
<b>2013</b>	
Surplus / (Deficit) 2012/13	7 161 782
<b>Balance at 30 June 2013</b>	<b>252 743 274</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	21	6 541 325	6 246 354
Government Grant and Subsidies	22	185 705 000	114 747 087
Public Contributions and Donations	23	6 000	12 200
Service Charges	24	809 636	452 882
Interest Received	26	2 367 222	2 555 785
Other Receipts		4 258 363	26 156 461
<b>Payments</b>			
Employee Related Costs	28	(38 760 554)	(33 639 722)
Remuneration of Councillors	29	(13 219 975)	(13 113 451)
Interest Paid	32	(972 496)	(664 232)
Suppliers Paid		(52 942 359)	(50 805 208)
Other Payments		(29 171 918)	(3 422 676)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>39</b>	<b>64 620 245</b>	<b>48 525 479</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(49 510 792)	(42 428 672)
Purchase of Intangible Assets	10	(384 951)	(870 196)
Proceeds on Disposal of Property, Plant and Equipment		36 274	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(49 859 469)</b>	<b>(43 298 868)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings	18	(318 749)	(291 413)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(318 749)</b>	<b>(291 413)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIV</b>	<b>7</b>	<b>14 442 027</b>	<b>4 935 198</b>
Cash and Cash Equivalents at Beginning of Period		34 559 735	29 624 537
Cash and Cash Equivalents at End of Period		49 001 762	34 559 735

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	354 278	-	354 278	-	-	354 278	482 117	-	127 839	136.08	136.08
Receivables from Exchange Transactions	6 027 096	-	6 027 096	-	-	6 027 096	82 205	-	(5 944 891)	1.36	1.36
Receivables from Non-exchange Transactions	-	-	-	-	-	-	1 631 823	-	1 631 823	0.00	0.00
VAT Receivable	-	-	-	-	-	-	2 729 459	-	2 729 459	0.00	0.00
Cash and Cash Equivalents	25 488 907	-	25 488 907	-	-	25 488 907	49 511 900	-	24 022 993	194.25	194.25
Operating Lease Receivables	-	-	-	-	-	-	106 514	-	106 514	0.00	0.00
<b>Non-Current Assets</b>											
Property, Plant and Equipment	313 872 632	-	313 872 632	-	-	313 872 632	231 601 459	-	(82 271 173)	73.79	73.79
Intangible Assets	298 056	-	298 056	-	-	298 056	997 041	-	698 985	334.51	334.51
Investment Property	14 286 000	-	14 286 000	-	-	14 286 000	14 286 000	-	-	100.00	100.00
Heritage Assets	-	-	-	-	-	-	17 719	-	17 719	0.00	0.00
<b>Total Assets</b>	<b>360 326 969</b>	<b>-</b>	<b>360 326 969</b>	<b>-</b>	<b>-</b>	<b>360 326 969</b>	<b>301 446 237</b>	<b>-</b>	<b>(58 880 732)</b>	<b>83.66</b>	<b>83.66</b>
<b>Current Liabilities</b>											
Provisions	-	-	-	-	-	-	72 985	-	72 985	0.00	0.00
Payables from Exchange Transactions	16 038 656	-	16 038 656	-	-	16 038 656	10 695 825	-	(5 342 831)	66.69	66.69
Payables from Non-exchange Transactions	-	-	-	-	-	-	728 738	-	728 738	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	25 769 055	-	25 769 055	0.00	0.00
Bank Overdraft	-	-	-	-	-	-	510 138	-	510 138	0.00	0.00
Current Portion of Long-term Liabilities	291 413	-	291 413	-	-	291 413	348 650	-	57 237	119.64	119.64
<b>Non-Current Liabilities</b>											
Long-term Liabilities	5 736 448	-	5 736 448	-	-	5 736 448	588 079	-	(5 148 369)	10.25	10.25
Non-current Provisions	-	-	-	-	-	-	9 989 493	-	9 989 493	0.00	0.00
<b>Total Liabilities</b>	<b>22 066 517</b>	<b>-</b>	<b>22 066 517</b>	<b>-</b>	<b>-</b>	<b>22 066 517</b>	<b>48 702 963</b>	<b>-</b>	<b>26 636 446</b>	<b>220.71</b>	<b>220.71</b>
<b>Total Assets and Liabilities</b>	<b>338 260 452</b>	<b>-</b>	<b>338 260 452</b>	<b>-</b>	<b>-</b>	<b>338 260 452</b>	<b>252 743 274</b>	<b>-</b>	<b>(85 517 178)</b>	<b>74.72</b>	<b>74.72</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	338 260 452	-	338 260 452	-	-	338 260 452	252 743 274	-	(85 517 178)	74.72	74.72
<b>Total Net Assets</b>	<b>338 260 452</b>	<b>-</b>	<b>338 260 452</b>	<b>-</b>	<b>-</b>	<b>338 260 452</b>	<b>252 743 274</b>	<b>-</b>	<b>(85 517 178)</b>	<b>74.72</b>	<b>74.72</b>

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	8 432 000	-	8 432 000	-	-	8 432 000	10 787 418	-	2 355 418	127.93	127.93
Fines	863 681	(463 681)	400 000	-	-	400 000	438 192	-	38 192	109.55	50.74
Licences and Permits	2 208 553	(6 660)	2 201 893	-	-	2 201 893	2 110 477	-	(91 416)	95.85	95.56
Income for Agency Services	943 200	-	943 200	-	-	943 200	1 295 379	-	352 179	137.34	137.34
Government Grants and Subsidies Received	174 728 000	19 480 844	194 208 844	-	(2 984 000)	191 224 844	161 673 380	-	(29 551 464)	84.55	92.53
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Revenue from Exchange Transactions</b>											
Service Charges	1 000 000	-	1 000 000	-	-	1 000 000	2 116 831	-	1 116 831	211.68	211.68
Rental of Facilities and Equipment	1 143 656	55 460	1 199 116	-	-	1 199 116	1 533 764	-	334 648	127.91	134.11
Interest Earned - External Investments	3 729 994	(3 517 341)	212 653	-	3 689 000	3 901 653	2 250 781	-	(1 650 872)	57.69	60.34
Interest Earned - Outstanding Debtors	270 138	465 304	735 442	-	-	735 442	1 138 910	-	403 468	154.86	421.60
Other Income	13 885 100	3 479 431	17 364 531	-	-	17 364 531	1 764 770	-	(15 599 761)	10.16	12.71
Gains on Disposal of Property, Plant and Equipment	105 400	(5 400)	100 000	-	400	100 400	-	-	(100 400)	0.00	0.00
Profit on Sale of Land	295 120	-	295 120	-	-	295 120	-	-	(295 120)	0.00	0.00
<b>Total Revenue</b>	<b>207 604 842</b>	<b>19 487 957</b>	<b>227 092 799</b>	-	<b>705 400</b>	<b>227 798 199</b>	<b>185 109 901</b>	-	<b>(42 688 298)</b>	<b>81.26</b>	<b>89.16</b>
<b>Expenditure</b>											
Employee Related Costs	60 240 718	(576 005)	59 664 714	-	(16 061 092)	43 603 622	39 563 919	-	(4 039 703)	90.74	65.68
Remuneration of Councillors	-	-	-	-	14 322 872	14 322 872	13 219 975	-	(1 102 897)	92.30	0.00
Collection Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	23 350 000	8 650 000	32 000 000	-	-	32 000 000	31 978 223	-	(21 777)	99.93	136.95
Impairment Losses	7 324 000	2 676 000	10 000 000	-	7 000 000	17 000 000	6 504 223	-	(10 495 777)	38.26	88.81
Repairs and Maintenance	2 519 464	(36 502)	2 482 962	-	194 730	2 677 692	2 520 519	-	(157 173)	94.13	100.04
Finance Costs	17 918	2 922	20 840	-	(180)	20 660	972 496	951 836	951 836	4 707.14	5 427.48
Contracted Services	2 200 000	671 500	2 871 500	-	(30 609)	2 840 891	2 138 509	-	(702 382)	75.28	97.20
Grants and Subsidies Paid	1 600 000	1 300 000	2 900 000	-	32 000 000	34 900 000	29 171 918	-	(5 728 082)	83.59	1 823.24
General Expenses	39 384 994	2 846 883	42 231 877	-	2 037 741	44 269 618	43 678 762	-	(590 856)	98.67	110.90
Government Grants (Conditional)	3 717 000	6 484 797	10 201 797	-	500 000	10 701 797	8 166 609	-	(2 535 188)	76.31	219.71
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	38 967	38 967	38 967	0.00	0.00
<b>Total Expenditure</b>	<b>140 354 095</b>	<b>22 019 595</b>	<b>162 373 690</b>	-	<b>39 963 462</b>	<b>202 337 152</b>	<b>177 954 119</b>	<b>990 803</b>	<b>(24 383 033)</b>	<b>87.95</b>	<b>126.79</b>
<b>Surplus/(Deficit)</b>	<b>67 250 748</b>	<b>(2 531 638)</b>	<b>64 719 109</b>	-	<b>(39 258 062)</b>	<b>25 461 047</b>	<b>7 155 782</b>	<b>(990 803)</b>	<b>(18 305 265)</b>	<b>28.10</b>	<b>10.64</b>
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	6 000	6 000	6 000	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>67 250 748</b>	<b>(2 531 638)</b>	<b>64 719 109</b>	-	<b>(39 258 062)</b>	<b>25 461 047</b>	<b>7 161 782</b>	<b>(984 803)</b>	<b>(18 299 265)</b>	<b>28.13</b>	<b>10.65</b>

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

**Property Rates:**

This is due to the anticipation of the culture of non-payment by the consumers, and also consumers were hesitant to pay as they had queries on their accounts. The achieved percentage is as the result of revenue enhancement strategies employed by the management as to ensure a healthy relations with the ratepayers.

**Income for Agency Services:**

This can be attributed to the turnaround time by community safety department and also the efficiency by the officials which draws consumers from the neighbouring municipalities.

**Service Charges:**

it is as the result of the inclusion of the mall which the municipality has started billing, and also community services has started with the implement their waste management plan.

**Rental of Facilities and Equipment:**

This is as result of a revised contract which was entered to by the municipality with Departments of Transport, Sport Arts and Culture after we have approved the 2012/13 Adjustment Budget. This revision resulted to revised rentals.

**Interest Earned - Outstanding Debtors:**

A decision was taken to write off old debts, and this initiative encouraged consumers to pay their debts with interest emanating from the two previous financial year.

**Finance Costs:**

This is due to interest charged on finance leases, which we budgeted for it on fleet rentals services.

**Loss on Disposal of Property, Plant and Equipment:**

Loss on sale –Auction results that were not favourable to the Municipality.



30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	195 230	612 770	808 000	-	-	808 000	910 058	-	102 058	112.63	466.15
Finance and Administration	2 054 079	(362 063)	1 692 016	-	-	1 692 016	3 420 856		1 728 840	202.18	166.54
Planning and Development	6 052 700	1 968 224	8 020 924	-	-	8 020 924	221 591		(7 799 333)	2.76	3.66
Community and Social Services	31 620	-	31 620	-	-	31 620	17 680 253		17 648 633	55 914.78	55 914.78
Public Safety	1 410 000	300 000	1 710 000	-	-	1 710 000	1 237 693		(472 307)	72.38	87.78
Waste Management	1 031 620	600 000	1 631 620	-	-	1 631 620	795 284		(836 336)	48.74	77.09
Roads and Transport	86 755 786	6 069 143	92 824 929	-	-	92 824 929	25 630 006		(67 194 923)	27.61	29.54
<b>Total Capital Expenditure</b>	<b>97 531 035</b>	<b>9 188 074</b>	<b>106 719 109</b>	<b>-</b>	<b>-</b>	<b>106 719 109</b>	<b>49 895 742</b>	<b>-</b>	<b>(56 823 367)</b>	<b>46.75</b>	<b>51.16</b>
Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.											

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	9 432 000	-	9 432 000	-	-	9 432 000	6 541 325	-	(2 890 675)	69.35	69.35
Grants	177 562 000	1 634 797	179 196 797	-	-	179 196 797	185 705 000	6 508 203	6 508 203	103.63	104.59
Public Contributions and Donations	-	-	-	-	-	-	6 000	6 000	6 000	0.00	0.00
Service Charges	-	-	-	-	-	-	809 636	809 636	809 636	0.00	0.00
Interest Received	3 729 994	-	3 729 994	-	-	3 729 994	2 367 222	-	(1 362 772)	63.46	63.46
Other Receipts	-	-	-	-	-	-	4 258 363	4 258 363	4 258 363	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(38 760 554)	-	(38 760 554)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(13 219 975)	-	(13 219 975)	0.00	0.00
Interest Paid	(17 918)	-	(17 918)	-	-	(17 918)	(972 496)	-	(954 578)	5 427.48	5 427.48
Suppliers Paid	(106 807 890)	-	(106 807 890)	-	-	(106 807 890)	(52 942 359)	53 865 531	53 865 531	49.57	49.57
Other Payments	-	-	-	-	-	-	(29 171 918)	-	(29 171 918)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(112 853 244)	6 162 635	(106 690 609)	-	-	(106 690 609)	(49 510 792)	57 179 817	57 179 817	46.41	43.87
Purchase of Intangible Assets	-	-	-	-	-	-	(384 951)	-	(384 951)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	105 400	(5 000)	100 400	-	-	100 400	36 274	-	(64 126)	36.13	34.42
<b>Cash Flows from/(used in) Financing Activities</b>											
Loans repaid	-	-	-	-	-	-	(318 749)	-	(318 749)	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(28 849 658)</b>	<b>7 792 432</b>	<b>(21 057 226)</b>	<b>-</b>	<b>-</b>	<b>(21 057 226)</b>	<b>14 442 027</b>	<b>122 627 550</b>	<b>35 499 253</b>	<b>(68.58)</b>	<b>(50.06)</b>
Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.											

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	741 965	-	741 965	-	-	741 965	451 017	-	(290 948)	60.79	60.79
Non-current Assets Held-for-Sale	-	-	-	-	-	-	75 240	-	75 240	0.00	0.00
Receivables from Exchange Transactions	7 675 817	-	7 675 817	-	-	7 675 817	104 968	-	(7 570 850)	1.37	1.37
Receivables from Non-exchange Transactions	3 556 306	-	3 556 306	-	-	3 556 306	635 728	-	(2 920 578)	17.88	17.88
VAT Receivable	-	-	-	-	-	-	769 944	-	769 944	0.00	0.00
Cash and Cash Equivalents	85 734 651	-	85 734 651	-	-	85 734 651	34 559 735	-	(51 174 915)	40.31	40.31
Operating Lease Receivables	291 079	-	291 079	-	-	291 079	83 610	-	(207 469)	28.72	28.72
<b>Non-Current Assets</b>											
Property, Plant and Equipment	436 236 890	-	436 236 890	-	-	436 236 890	213 785 837	-	(222 451 054)	49.01	49.01
Intangible Assets	377 060	-	377 060	-	-	377 060	895 144	-	518 084	237.40	237.40
Investment Property	18 094 500	-	18 094 500	-	-	18 094 500	14 286 000	-	(3 808 500)	78.95	78.95
Heritage Assets	-	-	-	-	-	-	17 719	-	17 719	0.00	0.00
<b>Total Assets</b>	<b>552 708 268</b>	<b>-</b>	<b>552 708 268</b>	<b>-</b>	<b>-</b>	<b>552 708 268</b>	<b>265 664 942</b>	<b>-</b>	<b>(287 043 326)</b>	<b>48.07</b>	<b>48.07</b>
<b>Current Liabilities</b>											
Provisions	-	-	-	-	-	-	134 107	-	134 107	0.00	0.00
Payables from Exchange Transactions	16 534 612	-	16 534 612	-	-	16 534 612	9 793 108	-	(6 741 504)	59.23	59.23
Payables from Non-exchange Transactions	-	-	-	-	-	-	1 036 722	-	1 036 722	0.00	0.00
Unspent Conditional Grants and Receipts	9 910 507	-	9 910 507	-	-	9 910 507	1 737 435	-	(8 173 073)	17.53	17.53
Current Portion of Long-term Liabilities	-	-	-	-	-	-	318 749	-	318 749	0.00	0.00
<b>Non-Current Liabilities</b>											
Long-term Liabilities	-	-	-	-	-	-	936 730	-	936 730	0.00	0.00
Non-current Provisions	4 228 738	-	4 228 738	-	-	4 228 738	6 126 599	-	1 897 862	144.88	144.88
<b>Total Liabilities</b>	<b>30 673 857</b>	<b>-</b>	<b>30 673 857</b>	<b>-</b>	<b>-</b>	<b>30 673 857</b>	<b>20 083 450</b>	<b>-</b>	<b>(10 590 407)</b>	<b>65.47</b>	<b>65.47</b>
<b>Total Assets and Liabilities</b>	<b>522 034 411</b>	<b>-</b>	<b>522 034 411</b>	<b>-</b>	<b>-</b>	<b>522 034 411</b>	<b>245 581 492</b>	<b>-</b>	<b>(276 452 919)</b>	<b>47.04</b>	<b>47.04</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	522 034 411	-	522 034 411	-	-	522 034 411	245 581 492	-	(276 452 919)	47.04	47.04
<b>Total Net Assets</b>	<b>522 034 411</b>	<b>-</b>	<b>522 034 411</b>	<b>-</b>	<b>-</b>	<b>522 034 411</b>	<b>245 581 492</b>	<b>-</b>	<b>(276 452 919)</b>	<b>47.04</b>	<b>47.04</b>
	(0)		(0)			(0)	0		0		

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	8 000 000	-	8 000 000	-	-	8 000 000	9 114 470	-	1 114 470	113.93	113.93
Fines	400 000	419 432	819 432	-	-	819 432	778 265	-	(41 167)	94.98	194.57
Licences and Permits	2 292 000	(244 189)	2 047 811	-	50 000	2 097 811	2 161 159	-	63 348	103.02	94.29
Income for Agency Services	800 000	-	800 000	-	200 000	1 000 000	1 072 014	-	72 014	107.20	134.00
Government Grants and Subsidies Received	128 390 000	935 000	129 325 000	-	6 700 200	136 025 200	115 026 234	-	(20 998 966)	84.56	89.59
Public Contributions and Donations	-	-	-	-	2 200	2 200	-	-	(2 200)	0.00	0.00
<b>Revenue from Exchange Transactions</b>											
Service Charges	2 600 000	-	2 600 000	-	-	2 600 000	2 006 595	-	(593 405)	77.18	77.18
Rental of Facilities and Equipment	1 075 063	-	1 075 063	-	16 000	1 091 063	885 430	-	(205 633)	81.15	82.36
Interest Earned - External Investments	3 500 000	-	3 500 000	-	38 894	3 538 894	2 127 973	-	(1 410 921)	60.13	60.80
Interest Earned - Outstanding Debtors	-	256 297	256 297	-	-	256 297	427 813	-	171 516	166.92	0.00
Other Income	23 950 000	40 109 092	64 059 092	-	(39 228 900)	24 830 192	2 083 734	-	(22 746 458)	8.39	8.70
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	100 000	100 000	-	-	(100 000)	0.00	0.00
Profit on Sale of Land	-	-	-	-	280 000	280 000	-	-	(280 000)	0.00	0.00
<b>Total Revenue</b>	<b>171 007 063</b>	<b>41 475 632</b>	<b>212 482 695</b>	<b>-</b>	<b>(31 841 605)</b>	<b>180 641 090</b>	<b>135 683 687</b>	<b>-</b>	<b>(44 957 403)</b>	<b>75.11</b>	<b>79.34</b>
<b>Expenditure</b>											
Employee Related Costs	56 130 080	-	56 130 080	-	(18 509 610)	37 620 470	33 939 533	-	(3 680 937)	90.22	60.47
Remuneration of Councillors	12 509 878	(210 767)	12 299 111	-	(262 418)	12 036 693	13 113 451	1 076 758	1 076 758	108.95	104.82
Collection Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	-	31 000 000	31 000 000	-	(6 000 000)	25 000 000	29 180 816	4 180 816	4 180 816	116.72	0.00
Impairment Losses	-	3 000 000	3 000 000	-	5 200 000	8 200 000	7 757 810	-	(442 190)	94.61	0.00
Repairs and Maintenance	3 833 634	(1 314 170)	2 519 464	-	1 645 527	4 164 991	5 430 692	1 265 700	1 265 700	130.39	141.66
Finance Costs	-	-	-	-	19 000	19 000	664 232	645 232	645 232	3 495.96	0.00
Contracted Services	-	-	-	-	1 654 000	1 654 000	639 097	-	(1 014 903)	38.64	0.00
Grants and Subsidies Paid	250 000	-	250 000	-	3 651 319	3 901 319	3 422 676	-	(478 642)	87.73	1 369.07
General Expenses	58 119 674	(22 208 840)	35 910 834	-	9 797 898	45 708 732	38 249 651	-	(7 459 081)	83.68	65.81
Government Grants (Conditional)	-	-	-	-	4 925 000	4 925 000	4 105 815	-	(819 185)	83.37	0.00
<b>Total Expenditure</b>	<b>130 843 266</b>	<b>10 266 223</b>	<b>141 109 489</b>	<b>-</b>	<b>2 120 716</b>	<b>143 230 205</b>	<b>136 503 772</b>	<b>7 168 506</b>	<b>(6 726 433)</b>	<b>95.30</b>	<b>104.33</b>
<b>Surplus/(Deficit)</b>	<b>40 163 797</b>	<b>31 209 409</b>	<b>71 373 206</b>	<b>-</b>	<b>(33 962 322)</b>	<b>37 410 884</b>	<b>(820 085)</b>	<b>(7 168 506)</b>	<b>(38 230 970)</b>	<b>0.00</b>	<b>0.00</b>
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	12 200	12 200	12 200	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>40 163 797</b>	<b>31 209 409</b>	<b>71 373 206</b>	<b>-</b>	<b>(33 962 322)</b>	<b>37 410 884</b>	<b>(807 885)</b>	<b>(7 156 306)</b>	<b>(38 218 770)</b>	<b>-</b>	<b>-</b>

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Vote 1 - Executive & Council	1 057 640	-	1 057 640	-	-	1 057 640	44 666	-	(1 012 974)	4.22	4.22
Vote 2 - Budget & Treasury	3 309 450	-	3 309 450	-	-	3 309 450	402 829	-	(2 906 621)	12.17	12.17
Vote 4 - Local Economic Development	-	-	-	-	-	-	437 817	437 817	437 817	0.00	0.00
Vote 5 - Infrastructure & Planning	63 472 819	-	63 472 819	-	-	63 472 819	36 425 038	-	(27 047 781)	57.39	57.39
Vote 6 - Citizen & Community Services	60 000	-	60 000	-	-	60 000	5 171 272	5 111 272	5 111 272	8 618.79	8 618.79
Vote 7 - Waste Management	6 171 005	-	6 171 005	-	-	6 171 005	-	-	(6 171 005)	0.00	0.00
Vote 8 - Public Safety	275 000	-	275 000	-	-	275 000	-	-	(275 000)	0.00	0.00
<b>Total Capital Expenditure</b>	<b>74 345 914</b>	<b>-</b>	<b>74 345 914</b>	<b>-</b>	<b>-</b>	<b>74 345 914</b>	<b>42 481 622</b>	<b>5 549 089</b>	<b>(31 864 292)</b>	<b>57.14</b>	<b>57.14</b>
Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.											

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	10 600 000	-	10 600 000	-	-	10 600 000	6 246 354	-	(4 353 646)	58.93	58.93
Grants	66 066 000	63 249 000	129 315 000	-	-	129 315 000	114 747 087	-	(14 567 913)	88.73	173.69
Public Contributions and Donations	-	-	-	-	-	-	12 200	12 200	12 200	0.00	0.00
Service Charges	-	-	-	-	-	-	452 882	452 882	452 882	0.00	0.00
Interest Received	3 500 000	-	3 500 000	-	-	3 500 000	2 555 785	-	(944 215)	73.02	73.02
Other Receipts	-	-	-	-	-	-	26 156 461	26 156 461	26 156 461	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(33 639 722)	-	(33 639 722)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(13 113 451)	-	(13 113 451)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(664 232)	-	(664 232)	0.00	0.00
Suppliers Paid	(96 823 261)	(37 666 429)	(134 489 690)	-	-	(134 489 690)	(50 805 208)	83 684 482	83 684 482	0.00	0.00
Other Payments	(250 000)	-	(250 000)	-	-	(250 000)	(3 422 676)	-	(3 172 676)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(67 153 490)	(8 130 501)	(75 283 991)	-	-	(75 283 991)	(42 428 672)	32 855 319	32 855 319	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(870 196)	-	(870 196)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	100 000	-	100 000	-	-	100 000	-	-	(100 000)	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
Loans repaid	-	-	-	-	-	-	(291 413)	-	(291 413)	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(83 960 751)</b>	<b>17 452 070</b>	<b>(66 508 681)</b>	<b>-</b>	<b>-</b>	<b>(66 508 681)</b>	<b>4 935 198</b>	<b>143 161 344</b>	<b>71 443 879</b>	<b>0.00</b>	<b>0.00</b>
Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.											

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13		2011/12
	R		R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>7 161 782</b>		<b>(807 885)</b>
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	(2 355 418)		(1 114 470)
Fines	(38 192)		(378 265)
Licences and Permits	91 416		130 841
Revenue for Agency Services	(352 179)		(272 014)
Government Grants and Subsidies Received	29 551 464		13 363 766
Public Contributions and Donations	(6 000)		(12 200)
<b>Revenue from Exchange Transactions</b>			
Service Charges	(1 116 831)		593 405
Rental of Facilities and Equipment	(334 648)		189 633
Interest Earned - External Investments	1 650 872		1 372 027
Interest Earned - Outstanding Debtors	(403 468)		(427 813)
Other Revenue	15 599 761		21 866 266
Gains on Disposal of Property, Plant and Equipment	100 400		-
Profit on Sale of Land	295 120		-
<b>Expenditure</b>			
Employee Related Costs	(4 039 703)		(22 190 547)
Remuneration of Councillors	(1 102 897)		603 573
Collection Costs	-		-
Depreciation and Amortisation	(21 777)		29 180 816
Impairment Losses	(10 495 777)		7 757 810
Repairs and Maintenance	(157 173)		1 597 057
Finance Costs	951 836		664 232
Contracted Services	(702 382)		639 097
Grants and Subsidies Paid	(5 728 082)		3 172 676
General Expenses	(590 856)		(19 870 023)
Other Losses on Continued Operations	(2 535 188)		4 105 815
Loss on Disposal of Property, Plant and Equipment	38 967		-
<b>Net surplus/deficit per approved budget</b>	<b>25 461 047</b>		<b>40 163 797</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

**1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY**

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

**1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS**

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**1. 2 .1 Revenue Recognition**

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1. 2 .2 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

**1. 2 .3 Impairment of Financial Assets**

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

#### **1. 2 .4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property**

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### **1. 2 .5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories**

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property plant and equipment amounted to R2 004 432, whilst no impairments were made to intangible assets or inventory.

#### **1. 2 .6 Provisions and contingent liabilities**

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at a projected inflation rate and discounted to the present value.

#### **1. 2 .7 Budget information**

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements

### **1. 3 PRESENTATION CURRENCY**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

### **1. 4 GOING CONCERN ASSUMPTION**

The Annual Financial Statements have been prepared on a going concern basis.

### **1. 5 OFFSETTING**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### **1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005  
GRAP 20 Related Party Disclosures (Revised)  
GRAP 25 Employee Benefits - issued December 2009  
GRAP 105 Transfers between entities under common control - issued November 2010  
GRAP 106 Transfers between entities not under common control - issued November 2010  
GRAP 107 Mergers - issued November 2010

These standards will only be effective when a date is announced by the Minister of Finance.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## **2. NETT ASSETS**

Included in the nett assets of the municipality, are the following reserves that are maintained in terms of specific requirements:

### **2. 1 Other Reserves forming part of Accumulated surplus**

The Municipality creates and maintains reserves which forms part of the Accumulated Surplus in terms of specific requirements.

## **2. 1.1 Capital replacement reserve (CRR)**

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

## **2. 1.2 Capital Contributions from Government**

The Capital Contributions from Government equals the carrying value of assets financed from government grants. Depreciation on these are set off against this grant.

# **3. PROPERTY, PLANT AND EQUIPMENT**

## **3. 1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## **3. 2 Subsequent Measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

## **3. 3 Depreciation**

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.



	Years		Years
<b>Infrastructure</b>		<b>Buildings</b>	<b>25 - 100</b>
Roads and Paving	45 - 50	Mobile offices	5
Gravel Roads	3 - 10	<b>Other</b>	
Landfill Sites	10 - 65	Specialist Vehicles	5 - 20
		Other Vehicles	5 - 10
		Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
<b>Community</b>		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5 - 10	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

### 3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

### 3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

### 3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

### 3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

### 3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

## 4. Heritage Assets

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

### 4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

### 4. 2 Subsequent Measurement

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated

#### 4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

### 5. INTANGIBLE ASSETS

#### 5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The usefull lives per category of intangible assets are detailed below:

	Years
<b><i>Intangible asset</i></b>	
Software	3
Website	5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

### **5. 3 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **6. INVESTMENT PROPERTY**

### **6. 1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- Property that is being constructed or developed for future use as investment property;

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

### **6. 2 Subsequent Measurement - Cost Model**

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **6. 3 Derecognition**

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

## **7. IMPAIRMENT OF ASSETS**

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

### **7. 1 Impairment of Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at a revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

### **7. 2 Impairment of Non-Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:  
to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

### Initial recognition

### Fair value methods and assumptions

### The effective interest rate method

### Amortised cost

## 8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank Balances and Cash	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

## 8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

## 8. 3 Initial and Subsequent Measurement

### 8. 3 .1 Financial Assets:

*Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .*

*Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.*

*Financial Assets measured at fair value* are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

#### **8. 3 .2 Financial Liabilities:**

##### **Financial liabilities measured at fair value**

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

##### **Financial Liabilities measured at amortised cost**

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

#### **8. 4 Impairment of Financial Assets**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

##### **Financial assets carried at amortised cost**

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

##### **Impairment of Financial Assets measured at cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

#### **8. 5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## **8. 6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

## **9. INVENTORIES**

### **9. 1 Initial Recognition**

Inventories comprise current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **9. 2 Subsequent Measurement**

#### **Consumable stores, raw materials, work-in-progress and finished goods**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

#### **Redundant and slow-moving inventories**

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## **10. NON-CURRENT ASSETS HELD-FOR-SALE**

### **10. 1 Initial Recognition**

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **10. 2 Subsequent Measurement**

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

## **11. REVENUE RECOGNITION**

### **11. 1 General**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

## **11. 2 Revenue from Exchange Transactions**

### **11. 2. 1 Service Charges**

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

### **11. 2. 2 Finance income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

### **11. 2. 3 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

### **11. 2. 4 Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### **11. 2. 5 Rentals**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

## **11. 3 Revenue from Non-exchange Transactions**

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

### **11. 3. 1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### **11. 3. 2 Fines**

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.



### 11. 3. 3 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

#### Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

## 12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## 13. EMPLOYEE BENEFITS

### 13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### 13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

#### 13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 13. 3 Defined Benefit Plans

#### 13. 3. 1 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

## 14. LEASES

### Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

### 14. 1 The Municipality as Lessee

#### Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

#### Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

### 14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

## 15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

## 16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

## **17. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **18. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **19. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

## **21. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## **22. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

## **23. COMPARATIVE INFORMATION**

### **23. 1 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

### **23. 2 Budget Information**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification.

## **24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

## **25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

## **26. CAPITAL COMMITMENTS**

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**1. GENERAL INFORMATION**

Umzimvubu Local Municipality (the municipality) is a local government institution in Mount Frere, Eastern Cape Province, and is one of the local municipalities under the jurisdiction of the Alfred Nzo District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Consumable Stores - at cost	482 117	451 017
<b>Total Inventories</b>	<b>482 117</b>	<b>451 017</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period was R 991 907 (2012: R 998 273).

Inventories are expected to be utilised within 12 months after the reporting date

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. NON-CURRENT ASSETS HELD-FOR-SALE**

Other Assets Held-for-Sale - at cost	-	75 240
<b>Net Non-current Assets Held-for-Sale</b>	<b>-</b>	<b>75 240</b>

The municipality disposed some of its Property, Plant and Equipment through public auction during August 2012.

**4. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2013</b>			
Service Debtors:	9 217 673	9 166 715	50 958
Refuse	9 217 673	9 166 715	50 958
Other Receivables	1 539 402	1 508 155	31 247
Value Added Tax (VAT)	1 306 806	1 275 559	31 247
Land sales	232 596	232 596	-
<b>Total Receivables from Exchange Transactions</b>	<b>10 757 075</b>	<b>10 674 870</b>	<b>82 205</b>

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2012</b>			
Service Debtors:	7 910 478	7 829 243	81 235
Refuse	7 910 478	7 829 243	81 235
Other Debtors	1 341 078	1 317 346	23 733
Value Added Tax (VAT)	1 107 993	1 084 749	23 244
Land sales	232 596	232 596	-
Other Debtors	489	-	489
<b>Total Receivables from Exchange Transactions</b>	<b>9 251 556</b>	<b>9 146 588</b>	<b>104 968</b>

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**4.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2013**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Refuse:</b>					
Gross Balances	166 693	161 697	157 286	8 731 996	9 217 673
Less: Provision for Impairment	164 343	159 390	155 429	8 687 553	9 166 715
<b>Net Balances</b>	<b>2 350</b>	<b>2 308</b>	<b>1 857</b>	<b>44 443</b>	<b>50 958</b>
<b>Other Receivables:</b>					
Gross Balances	23 441	22 685	22 067	1 471 209	1 539 402
Less: Provision for Impairment	23 253	22 510	21 901	1 440 490	1 508 155
<b>Net Balances</b>	<b>188</b>	<b>175</b>	<b>166</b>	<b>30 719</b>	<b>31 247</b>

As at 30 June Receivables of R79 667 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	184 383	179 353	10 203 205	10 566 941
Less: Provision for Impairment	181 900	177 331	10 128 043	10 487 274
<b>Net Balances</b>	<b>2 483</b>	<b>2 022</b>	<b>75 162</b>	<b>79 667</b>

**As at 30 June 2012**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Refuse:</b>					
Gross Balances	158 749	155 761	154 225	7 441 744	7 910 478
Less: Provision for Impairment	146 290	145 245	144 895	7 392 812	7 829 243
<b>Net Balances</b>	<b>12 459</b>	<b>10 515</b>	<b>9 330</b>	<b>48 931</b>	<b>81 235</b>
<b>Other Receivables:</b>					
Gross Balances	22 711	21 786	21 590	1 274 990	1 341 078
Less: Provision for Impairment	20 479	20 334	20 284	1 256 248	1 317 345
<b>Net Balances</b>	<b>2 232</b>	<b>1 451</b>	<b>1 306</b>	<b>18 743</b>	<b>23 732</b>

As at 30 June Receivables of R90 277 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	177 546	175 815	8 716 734	9 070 096
Less: Provision for Impairment	165 580	165 179	8 649 060	8 979 819
<b>Net Balances</b>	<b>11 967</b>	<b>10 636</b>	<b>67 674</b>	<b>90 277</b>

**4.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	9 146 588	6 833 553
Impairment Losses recognised	1 528 281	2 313 036
<b>Balance at end of year</b>	<b>10 674 870</b>	<b>9 146 589</b>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**4.3 Ageing of impaired Receivables from Exchange Transactions**

Current:

0 - 30 Days	187 596	166 769
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Past Due:

31 - 60 Days	181 900	165 580
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61 - 90 Days	177 331	165 179
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+ 90 Days	10 128 043	8 649 060
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<b>Total</b>	<b>10 674 870</b>	<b>9 146 588</b>
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**4.4 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2013</b>			
Assessment Rates Debtors	30 606 047	30 048 682	557 365
Hall Securities	34 589	34 589	-
Sundry Deposits	16 632		16 632
Sundry Debtors	1 040 356	41 158	999 198
Interest/Penalty Charges	1 428 486	1 369 858	58 628
<b>Total Receivables from Non-exchange Transactions</b>	<b>33 126 111</b>	<b>31 494 287</b>	<b>1 631 823</b>

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2012</b>			
Assessment Rates Debtors	26 359 954	25 861 633	498 321
Hall Securities	39 020	39 020	-
Sundry Deposits	2 769		2 769
Sundry Debtors	155 504	41 158	114 346
Interest/Penalty Charges	406 018	385 725	20 293
<b>Total Receivables from Non-exchange Transactions</b>	<b>26 963 264</b>	<b>26 327 536</b>	<b>635 728</b>

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

**5.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2013**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	606 626	571 759	546 234	28 881 428	30 606 047
Less: Provision for Impairment	580 914	546 228	522 493	28 399 048	30 048 682
<b>Net Balances</b>	<b>25 713</b>	<b>25 530</b>	<b>23 741</b>	<b>482 380</b>	<b>557 365</b>
<b>Hall Securities</b>					
Gross Balances	-	-	-	34 589	34 589
Less: Provision for Impairment	-	-	-	34 589	34 589
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**Sundry Deposits:**

Gross Balances	-	-	-	16 632	16 632
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 632</b>	<b>16 632</b>

**Sundry Debtors:**

Gross Balances	47 361	-	-	992 995	1 040 356
Less: Provision for Impairment	-	-	-	41 158	41 158
<b>Net Balances</b>	<b>47 361</b>	<b>-</b>	<b>-</b>	<b>951 837</b>	<b>999 198</b>

**Interest/Penalty Charges**

Gross Balances	213 334	197 644	180 449	837 060	1 428 486
Less: Provision for Impairment	207 501	191 644	175 103	795 610	1 369 858
<b>Net Balances</b>	<b>5 833</b>	<b>6 000</b>	<b>5 346</b>	<b>41 449</b>	<b>58 628</b>

As at 30 June Receivables of R1 552 917 were past due but not impaired. The age analysis of these Receivables are as follows:

<b>Past Due</b>			<b>Total</b>
<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>+ 90 Days</b>	

**All Receivables:**

Gross Balances	769 403	726 683	30 762 704	32 258 790
Less: Provision for Impairment	737 873	697 596	29 270 405	30 705 873
<b>Net Balances</b>	<b>31 530</b>	<b>29 087</b>	<b>1 492 299</b>	<b>1 552 917</b>

**As at 30 June 2012**

<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>+ 90 Days</b>	

**Assessment Rates:**

Gross Balances	680 466	457 082	450 789	24 771 617	26 359 954
Less: Provision for Impairment	421 476	414 109	411 372	24 614 676	25 861 633
<b>Net Balances</b>	<b>258 990</b>	<b>42 973</b>	<b>39 417</b>	<b>156 941</b>	<b>498 321</b>

**Hall Securities:**

Gross Balances	-	-	39 020	39 020
Less: Provision for Impairment	-	-	39 020	39 020
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Sundry Deposits:**

Gross Balances	-	-	2 769	2 769
Less: Provision for Impairment	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>2 769</b>	<b>2 769</b>

**Sundry Debtors:**

Gross Balances	-	-	41 158	41 158
Less: Provision for Impairment	-	-	41 158	41 158
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Interest Charges on Outstanding Debtors**

Gross Balances	60 636	56 176	51 289	237 917	406 018
Less: Provision for Impairment	58 428	53 963	49 306	224 028	385 725
<b>Net Balances</b>	<b>2 208</b>	<b>2 213</b>	<b>1 983</b>	<b>13 889</b>	<b>20 293</b>

As at 30 June Receivables of R260 185 were past due but not impaired. The age analysis of these Receivables are as follows:

<b>Past Due</b>			<b>Total</b>
<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>+ 90 Days</b>	

**All Receivables:**

Gross Balances	513 258	502 078	25 092 480	26 107 816
Less: Provision for Impairment	468 072	460 678	24 918 882	25 847 632
<b>Net Balances</b>	<b>45 186</b>	<b>41 400</b>	<b>173 598</b>	<b>260 185</b>



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**5.2 Reconciliation of Provision for Impairment**

Balance at beginning of year	26 327 536	20 532 224
Impairment Losses recognised	5 174 136	5 795 312
Impairment Losses reversed	(7 385)	-
Other Debtors	(7 385)	-
<b>Balance at end of year</b>	<b>31 494 287</b>	<b>26 327 536</b>

The Provision for Impairment on Other Trade Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

**6. VAT RECEIVABLE**

Vat Receivable.	<b>2 729 459</b>	<b>769 944</b>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**7. CASH AND CASH EQUIVALENTS**

Current Investments	49 511 022	29 365 014
Bank Accounts	-	5 193 844
Bank Overdraft	(510 138)	-
Cash and Cash Equivalents	877	877
<b>Total Bank, Cash and Cash Equivalents</b>	<b>49 001 762</b>	<b>34 559 735</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**7.1 Current Investment Deposits**

Call Deposits	49 511 022	29 365 014
<b>Total Current Investment Deposits</b>	<b>49 511 022</b>	<b>29 365 014</b>

The following call deposit accounts for ring fenced purposes as indicated	49 511 022	29 365 014
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Planning and Survey	First National	6216 487 6842	183	404 297
Service Delivery Reserve	First National	6203 325 4723	464 594	449 010
Operational Investment	First National	6202 945 0715	31 770 979	12 774 070
Municipal Support Program (MSP)	First National	6203 189 8903	81 722	1 992 290
Drought Relief	First National	6208 603 6160	417 513	403 465
Municipal Infrastructure Grant (MIG)	First National	6208 603 6714	9 432 615	669 912
Guarantee Investment	First National	6206 874 2157	242 123	237 703
Capital Replacement Reserve	First National	6206 799 8040	14 076	5 436 864
Testing Centre	First National	6209 341 1339	3 457 305	3 339 703
Dedea Projects	First National	6224 528 8411	894 980	1 014 575
Financial Management Grant (FMG)	First National	6227 618 7294	1 579 898	1 526 903
Munisipal System Improvement Grant	First National	6227 618 9018	878 418	848 953
Electrification Program	First National	6228 856 0925	276 617	267 269

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**7.2 Bank Accounts**

Cash in Bank	-	5 193 844
Bank Overdraft	(510 138)	-
<b>Total Bank Accounts</b>	<b>(510 138)</b>	<b>5 193 844</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

*First National Bank - Account Number 620 2218 3727:*

Cash book balance at beginning of year	5 193 844	3 268 333
Cash book balance at end of year	(510 138)	5 193 844
Bank statement balance at beginning of year	5 168 903	3 268 333
Bank statement balance at end of year	5 065 440	5 168 903

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**7.3 Cash and Cash Equivalents**

Cash Floats and Advances	877	877
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>877</b>	<b>877</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

**8. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	83 610	236 703
Operating Lease Revenue recorded	55 359	9 407
Operating Lease Revenue effected	(32 455)	(162 501)
<b>Total Operating Lease Receivables</b>	<b>106 514</b>	<b>83 610</b>

**8.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**8.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	897 735	221 819
2 to 5 years	1 174 322	205 203
More than 5 years	11 998	59 599
<b>Total Operating Lease Arrangements</b>	<b>2 084 056</b>	<b>486 621</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R22 904 (2012: a decrease of R153 094) in current year income.

Rental Income recognised in the Statement of Financial Performance

1 240 267

798 259

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**9 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2013**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
<b>Carrying values at 30 June 2012</b>	<b>52 869 581</b>	<b>100 430 213</b>	<b>52 404 050</b>	<b>6 910 464</b>	<b>1 171 528</b>	<b>213 785 837</b>
Cost	56 411 744	255 463 590	76 298 999	13 191 734	1 681 279	403 047 347
- Completed Assets	51 539 537	217 645 252	74 433 676	13 191 734	1 681 279	358 491 479
- Under Construction	4 872 207	37 818 338	1 865 323	-	-	44 555 868
Accumulated Depreciation:	(3 542 163)	(155 033 377)	(23 894 949)	(6 281 269)	(509 751)	(189 261 510)
Acquisitions	199 911	54 670 266	4 418 088	2 574 447	-	61 862 713
Capital under Construction - Additions:	3 310 483	16 938 900	11 334 271	-	-	31 583 654
Depreciation:	(1 197 590)	(24 513 709)	(3 030 354)	(2 617 444)	(336 072)	(31 695 169)
Capital under Construction - Completed	-	(42 617 994)	(1 317 581)	-	-	(43 935 575)
<b>Carrying values at 30 June 2013</b>	<b>55 182 385</b>	<b>104 907 676</b>	<b>63 808 474</b>	<b>6 867 468</b>	<b>835 456</b>	<b>231 601 459</b>
Cost	59 922 139	284 454 763	90 733 777	15 766 181	1 681 279	452 558 138
- Completed Assets	51 739 449	272 315 518	78 851 765	15 766 181	1 681 279	420 354 192
- Under Construction	8 182 690	12 139 244	11 882 012	(0)	-	32 203 946
Accumulated Depreciation:	(4 739 753)	(179 547 087)	(26 925 303)	(8 898 714)	(845 822)	(220 956 679)

**30 June 2012**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2012</b>	<b>53 396 548</b>	<b>85 724 836</b>	<b>53 278 552</b>	<b>6 526 632</b>	<b>1 508 521</b>	<b>200 435 088</b>
Cost	55 745 129	222 202 198	74 186 891	10 514 452	1 681 279	364 329 949
Accumulated Depreciation:	(2 348 581)	(136 477 362)	(20 908 340)	(3 987 820)	(172 758)	(163 894 861)
Acquisitions	-	10 622 974	246 785	2 824 194	-	13 693 953
Capital under Construction - Additions:	666 615	26 202 781	1 865 323	-	-	28 734 719
Depreciation:	(1 193 582)	(22 025 402)	(2 986 609)	(2 365 122)	(336 992)	(28 907 708)
Carrying value of Transfers to Held-for-Sale:	-	-	-	(75 240)	-	(75 240)
- Cost	-	-	-	(146 912)	-	(146 912)
- Accumulated Depreciation	-	-	-	71 672	-	71 672
Capital under Construction - Completed	-	(19 276 779)	-	-	-	(19 276 779)
Other Movements	-	19 181 803	-	-	-	34 894 219
- Accumulated Depreciation	-	3 469 387	-	-	-	3 469 387
<b>Carrying values at 30 June 2012</b>	<b>52 869 581</b>	<b>100 430 213</b>	<b>52 404 050</b>	<b>6 910 464</b>	<b>1 171 528</b>	<b>213 785 837</b>
Cost	56 411 744	255 463 590	76 298 999	13 191 734	1 681 279	403 047 347
Accumulated Depreciation:	(3 542 163)	(155 033 377)	(23 894 949)	(6 281 269)	(509 751)	(189 261 510)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**9.1 Assets pledged as security**

The municipality did not pledge any of its assets as security.

**9.2 Impairment of Property, Plant and Equipment**

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

**9.3 Land and Buildings carried at Fair Value**

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

**10 INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

**997 041**

**895 144**

The movement in Intangible Assets is reconciled as follows:

	Website Development	Computer Software	Total
<b>Carrying values at 01 July 2012</b>	<b>86 400</b>	<b>808 744</b>	<b>895 144</b>
Cost	-	1 391 978	1 391 978
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(583 234)	(583 234)
Acquisitions:	-	384 951	384 951
Purchased	-	384 951	384 951
Amortisation:	-	(283 054)	(283 054)
Purchased	-	(283 054)	(283 054)
<b>Carrying values at 30 June 2013</b>	<b>86 400</b>	<b>910 641</b>	<b>997 041</b>
Cost	-	1 776 929	1 776 929
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(866 288)	(866 288)
	Website Development	Computer Software	Total
<b>Carrying values at 01 July 2011</b>	<b>86 400</b>	<b>211 657</b>	<b>298 057</b>
Cost	-	521 782	521 782
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(310 126)	(310 126)
Acquisitions:	-	870 196	870 196
Purchased	-	870 196	870 196
Amortisation:	-	(273 108)	(273 108)
Purchased	-	(273 108)	(273 108)
<b>Carrying values at 30 June 2012</b>	<b>86 400</b>	<b>808 744</b>	<b>895 144</b>
Cost	-	1 391 978	1 391 978
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(583 234)	(583 234)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

Computer Software are issued under license and are restricted to the conditions under which each license are issued.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

Refer to Appendix "B" for more detail on Intangible Assets.

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets useful lives.

**10.1 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**11 INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation

**14 286 000**

**14 286 000**

The movement in Investment Property is reconciled as follows:

**Carrying values at 1 July**

**14 286 000**

**14 286 000**

Cost

14 286 000

14 286 000

Accumulated Depreciation

-

-

**Carrying values at 30 June**

**14 286 000**

**14 286 000**

Cost

14 286 000

14 286 000

Accumulated Depreciation

-

-

**Estimated Fair Value of Investment Property at 30 June**

**14 286 000**

**14 286 000**

The investment property consists out of land only and therefore there is no depreciation.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**11.1 Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**11.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**12 HERITAGE ASSETS**

At Cost less Accumulated Impairment Losses

**17 719**

**17 719**

The movement in Heritage Assets is reconciled as follows:

**Municipal  
Jewelry**

**Total**

**Carrying values at 01 July 2012**

**17 719**

**17 719**

Cost

17 719

17 719

**Carrying values at 30 June 2013**

**17 719**

**17 719**

Cost

17 719

17 719

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
	Municipal Jewelry	Total
<b>Carrying values at 01 July 2011</b>	<b>17 719</b>	<b>17 719</b>
Cost	17 719	17 719
<b>Carrying values at 30 June 2012</b>	<b>17 719</b>	<b>17 719</b>
Cost	17 719	17 719

Heritage Assets have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 35 on "Change in Accounting Policy" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**12.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

**13 PROVISIONS**

Current Portion of Non-Current Provisions	72 985	134 107
Long-term Service	72 985	134 107
<b>Total Provisions</b>	<b>72 985</b>	<b>134 107</b>

Provisions have been restated to correctly classify amounts held for Long Service Awards, previously included in Creditors. Refer to Note 38.7 on "Correction of Error" for details of the restatement.

**Long Service Awards** are paid to staff members after the completion of a number of years service. The amount disclosed is the estimated cost during the next financial period.

**Current Portion of Non-Current Provisions:**

	Long-term Service R
<b>30 June 2013</b>	
Balance at beginning of year	134 107
Transfer from non-current	20 177
Expenditure incurred	(81 299)
<b>Balance at end of year</b>	<b>72 985</b>
	Long-term Service R
<b>30 June 2012</b>	
Balance at beginning of year	110 794
Contributions to provision	134 107
Expenditure incurred	(110 794)
<b>Balance at end of year</b>	<b>134 107</b>

**14 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	7 452 339	7 322 381
Retentions	543 379	348 968
Value Added Tax (Output)	(10 785)	55 491
Staff Leave Accrued	2 635 598	2 055 302
Other Creditors	75 294	10 966
<b>Total Payables</b>	<b>10 695 825</b>	<b>9 793 108</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

*Payables from Exchange transactions* have been restated to correctly classify amounts previously stated under "Creditors".

**Staff Leave** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Payments received in Advance	665 500	973 484
Sundry Deposits	40 535	40 535
Rental Deposits	22 703	22 703
<b>Total Payables</b>	<b>728 738</b>	<b>1 036 722</b>

Payables from Non-Exchange transactions have been restated to correctly classify amounts previously stated under "Creditors".

The short term portion of Long Services Awards payable to staff had been reclassified as Provisions.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**16.1 Conditional Grants from Government**

	<b>25 769 055</b>	<b>1 737 435</b>
National Government Grants	20 396 889	1 216 706
Provincial Government Grants	5 372 167	520 729
<b>Total Conditional Grants and Receipts</b>	<b>25 769 055</b>	<b>1 737 435</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 22 for the reconciliation of Grants from Government and Note 23 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**17 OPERATING LEASE LIABILITIES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

**17.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**17.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had no outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment. Agreements on the rental of Photocopy Machines have expired and the municipality will be going out on tender in the new financial year to obtain new equipment.

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	501 031	308 554
<b>Total Operating Lease Expenses</b>	<b>501 031</b>	<b>308 554</b>

**18 LONG-TERM LIABILITIES**

Finance Lease Liabilities	936 730	1 255 479
Sub-total	936 730	1 255 479
Less: Current Portion transferred to Current Liabilities:-	348 650	318 749
Finance Lease Liabilities	348 650	318 749
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<b>588 079</b>	<b>936 730</b>

**18.1 Summary of Arrangements**

Finance Lease Liabilities relates to Vehicles with lease terms of 5 (2012: 4) years. The effective interest rate on Finance Leases is the prime rate set by the South African Reserve Bank which is currently 8.5% (2012: 9%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**18.2 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2012: 4 years). The effective interest rate on Finance Leases is set at the bank prime rate which is currently 8.5% (2012: 9%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
<b>Amounts payable under finance leases:</b>				
Within one year	418 807	418 807	348 650	318 749
In the second to fifth years, inclusive	631 064	1 049 871	588 080	936 730
Over five years	-	-	-	-
	1 049 871	1 468 678	936 730	1 255 479
Less: Future Finance Obligations	113 142	213 199		
<b>Present Value of Minimum Lease Obligations</b>	<b>936 730</b>	<b>1 255 479</b>	<b>936 730</b>	<b>1 255 479</b>
Less: Amounts due for settlement within 12 months (Current Portion)			(348 650)	(318 749)
<b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b>			<b>588 079</b>	<b>936 730</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

Included in these classes are the following significant leases:

(i) Vehicles	9	9
- Installments are payable monthly in arrears		
- Average period outstanding	34 months	46 months
- Average effective interest rate, based on prime	8.50%	9.00%
- Average monthly installment	R 41 671.29	R 41 880.70

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

## 19 NON-CURRENT PROVISIONS

Provision for Long Service Awards	868 290	584 098
Provision for Rehabilitation of Land-fill Sites	9 121 203	5 542 501
<b>Total Non-current Provisions</b>	<b>9 989 493</b>	<b>6 126 599</b>

The movement in Non-current Provisions are reconciled as follows:

	<b>Long-service Awards R</b>	<b>Land-fill Sites R</b>
<b>30 June 2013</b>	-	795 466
Balance at beginning of year	584 098	5 542 501
Increase in provision due to change in estimate	304 369	2 783 236
Increase in provision due to discounting of interest		795 466
	888 467	9 121 203
Transfer to current provisions	(20 177)	-
<b>Balance at end of year</b>	<b>868 290</b>	<b>9 121 203</b>
	<b>Long-service Awards R</b>	<b>Land-fill Sites R</b>
<b>30 June 2012</b>		
Balance at beginning of year	446 882	5 059 136
Increase in provision due to discounting of interest	181 134	483 365
Expenditure incurred	90 189	-
	718 205	5 542 501
Transfer to current provisions	(134 107)	-
<b>Balance at end of year</b>	<b>584 098</b>	<b>5 542 501</b>

### 19.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years of service inclusive, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 130 (2012: 119) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R171 866, whereas the cost for the ensuing year is estimated to be R234 901 (30 June 2012: R141 506 and R171 866 respectively).

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	6.90%	6.42%
Cost Inflation Rate	6.65%	6.24%
Net Effective Discount Rate	0.24%	0.17%
Expected Return on Plan Assets	6.90%	6.24%
Expected Rate of Salary Increase	6.65%	6.24%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	718 205	557 676
Current service costs	171 866	141 506
Interest cost	43 540	39 628
Benefits paid	(81 299)	(70 340)
Actuarial losses / (gains)	88 963	-

**Present Value of Fund Obligation at the end of the Year**

**941 275**      **668 470**

Actuarial losses / (gains) unrecognised

49 735

**Total Recognised Benefit Liability**

**941 275**      **718 205**

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	171 866	141 506
Interest cost	43 540	39 628
Actuarial losses / (gains)	88 963	-

**Total Post-retirement Benefit included in Employee Related and Finance Cost**

**304 369**      **181 134**

**The history of experienced adjustments is as follows:**

	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>	<b>2011</b> <b>R</b>	<b>2010</b> <b>R</b>	<b>2009</b> <b>R</b>
Present Value of Defined Benefit Obligation	941 275	718 205	557 676	506 297	374 571
<b>Deficit</b>	<b>941 275</b>	<b>718 205</b>	<b>557 676</b>	<b>506 297</b>	<b>374 571</b>

## **19.2 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur rehabilitation costs of R 9 121 203 (2012 : R5 542 501) to restore the sites at the end of its useful lives, estimated to be between 16 and 19 years. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

## **20 ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Capital Replacement Reserve (CRR)	5 014 475	5 014 475
Capital Contributions from Government	246 902 219	229 112 830
Accumulated Surplus / (Deficit) due to the results of Operations	826 580	11 454 187
<b>Total Accumulated Surplus</b>	<b>252 743 274</b>	<b>245 581 492</b>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capital Contributions from Government** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Contributions ensures consumer equity and is not backed by cash.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

			2013 R	2012 R
<b>21 PROPERTY RATES</b>				
	<b>Property Valuations</b>		<b>Actual Levies</b>	
	<b>July 2013 R000's</b>	<b>July 2012 R000's</b>		
Residential	284 190 000	284 190 000	6 621 191	3 727 956
Commercial	271 431 000	271 431 000	2 888 679	3 734 773
State	276 981 008	276 981 008	1 277 548	1 651 741
<b>Total Property Rates</b>	<b>832 602 008</b>	<b>832 602 008</b>	<b>10 787 418</b>	<b>9 114 470</b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,8427 c/R (2011/12: 0,8427 c/R)

Business Properties: 1,6854 c/R (2011/12: 1,6854 c/R)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

**22 GOVERNMENT GRANTS AND SUBSIDIES**

National Equitable Share	106 043 000	92 326 000
Other Subsidies	150 000	150 000
<b>Operational Grants</b>	<b>106 193 000</b>	<b>92 476 000</b>
<b>Conditional Grants</b>	<b>55 480 380</b>	<b>22 550 234</b>
National: Financial Management Grant	1 500 000	1 456 518
National: Municipal Infrastructure Grant	19 676 576	18 005 133
National: Municipal Systems Improvement Grant	922 193	665 072
National: Department of Public Works	2 435 072	436 266
National: Department of Mineral and Energy	27 797 976	-
Provincial: Department of Education	290 657	1 987 245
Provincial: Department of Cooperative Government and Traditional Affairs	2 857 905	-
<b>Total Government Grants and Subsidies</b>	<b>161 673 380</b>	<b>115 026 234</b>
<b>Summary of Transfers:</b>		
Conditions met - transferred to Revenue: Operating Expenses	35 803 803	4 545 101
Conditions met - transferred to Revenue: Capital Expenses	19 676 576	18 005 133
<b>Total Transfers</b>	<b>55 480 380</b>	<b>22 550 234</b>
<b>Operational Grants:</b>		
<b>22.1 National: Equitable Share</b>	<b>106 043 000</b>	<b>92 326 000</b>

In terms of the Constitution, part of this grant is used to subsidise the provision of basic services to indigent community members on application. Households where the total gross monthly income of all occupants over 18 years of age does not exceed the earning of a combined gross income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development, qualify for a subsidy of the essential services package.

**22.2 Community Based Planning**

Current year receipts - included in Revenue	150 000	150 000
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The Municipality received an amount of R150 000 from the Department of Cooperative Government and Traditional Affairs for assistance in the data collection of community needs to be used as basis for future planning.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**Conditional Grants:**

**22.3 National: FMG Grant**

Balance unspent at beginning of year	0	6 518
Current year receipts	1 500 000	1 450 000
Conditions met - transferred to Revenue: Operating Expenses	(1 500 000)	(1 456 518)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>0</u>	<u>0</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**22.4 National: MIG Funds**

Balance unspent at beginning of year	6 954	(13 144 913)
Current year receipts	37 795 000	31 157 000
Conditions met - transferred to Revenue: Capital Expenses	(19 676 576)	(18 005 133)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>18 125 378</u>	<u>6 954</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

**22.5 National: MSIG Funds**

Balance unspent at beginning of year	127 018	2 090
Current year receipts	800 000	790 000
Conditions met - transferred to Revenue: Operating Expenses	(922 193)	(665 072)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>4 825</u>	<u>127 018</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**22.6 National: Department of Public Works**

Balance unspent at beginning of year	1 082 734	-
Current year receipts	1 417 000	1 519 000
Conditions met - transferred to Revenue: Operating Expenses	(2 435 072)	(436 266)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>64 662</u>	<u>1 082 734</u>

The grant is utilised for cleaning up operations in the municipal area.

**22.7 National: Department Minerals and Energy (DME)**

Balance unspent at beginning of year	-	-
Current year receipts	30 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	(27 797 976)	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>2 202 024</u>	<u>-</u>

The grant was received from the Department of Mineral and Energy for the upgrading of electrical installations within the greater municipal area.

**22.8 Provincial: Department Economic Affairs and Trade (DEAT)**

Balance unspent at beginning of year	520 729	2 007 974
Current year receipts	-	500 000
Conditions met - transferred to Revenue: Operating Expenses	(290 657)	(1 987 245)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>230 072</u>	<u>520 729</u>

This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.

**22.9 Provincial: Department Cooperative Government and Traditional Affairs (COGTA)**

Balance unspent at beginning of year	-	-
Current year receipts	8 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	(2 857 905)	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>5 142 095</u>	<u>-</u>

**UMZIMVUBU LOCAL MUNICIPALITY**  
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**2013**  
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**R**

This grant is utilised as funding of "Operation Clean Audit" a National Government initiative.

**22.10 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

**23 PUBLIC CONTRIBUTIONS AND DONATIONS**

Unconditional Contributions	-	10 000
Other Donations	6 000	2 200
<b>Total Public Contributions and Donations</b>	<b>6 000</b>	<b>12 200</b>

**Public Contributions and Donations:**

Unconditional Grants	-	10 000
Other Donations	6 000	2 200
	<b>6 000</b>	<b>12 200</b>

**24 SERVICE CHARGES**

Refuse Removal	2 116 831	2 006 595
<b>Total Service Charges</b>	<b>2 116 831</b>	<b>2 006 595</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**25 RENTAL OF FACILITIES AND EQUIPMENT**

Rental Revenue from Amenities	215 932	-
Rental Revenue from Buildings	1 240 267	798 259
Rental Revenue from Halls	54 307	73 929
Rental Revenue from Other Facilities	23 258	13 242
<b>Total Rental of Facilities and Equipment</b>	<b>1 533 764</b>	<b>885 430</b>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**26 INTEREST EARNED**

**Property Rates:**

**External Investments:**

Bank Account	194 242	82 962
Investments	2 056 539	2 045 011
	<b>2 250 781</b>	<b>2 127 973</b>

**Outstanding Debtors:**

Outstanding Billing Debtors	1 138 910	427 813
	<b>1 138 910</b>	<b>427 813</b>
<b>Total Interest Earned</b>	<b>3 389 691</b>	<b>2 555 785</b>

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	2 250 781	2 127 973
Loans and Receivables	1 138 910	427 813
	<b>3 389 691</b>	<b>2 555 785</b>

**27 OTHER REVENUE**

Advertising	83 627	150 785
Awards	545 000	500 000
Building Plan Fees	88 571	140 346
Cleaning: Builder Ruble	-	18
Clearance Certificate	263	53

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
Electricity (Office Rental)	-	293 842
Flea Market	737	193
Funeral Plot Fees	9 844	10 385
Instructors Certificate	-	345
LG Seta	243 816	269 217
Parks	804	-
Pound Fees	378 091	455 842
Rezoning Certificate	899	833
Sales:Wood	18	682
SG Diagrams	527	790
Sportsfield	18 277	-
Storage of Goods	3 596	-
Subdivision	1 606	-
Tender Fees	253 067	244 614
Tourism	7 044	439
Towing Fees	11 381	15 351
Sundry Income	117 600	-
<b>Total Other Revenue</b>	<b>1 764 770</b>	<b>2 083 734</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**28 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	27 393 408	23 598 192
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 553 683	4 550 382
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4 202 702	4 006 479
Housing Benefits and Allowances	1 685 947	1 467 051
Performance Bonuses	728 178	317 429
<b>Total Employee Related Costs</b>	<b>39 563 919</b>	<b>33 939 533</b>

No advances were made to employees.

**Remuneration of Section 57 Employees:**

***Remuneration of the Municipal Manager***

Annual Remuneration	789 064	771 629
Performance Bonus	57 711	66 547
Car and Other Allowances	280 865	311 929
Company Contributions to UIF, Medical and Pension Funds	138 486	11 403
<b>Total</b>	<b>1 266 126</b>	<b>1 161 508</b>

***Remuneration of the Chief Financial Officer***

Annual Remuneration	703 509	560 000
Performance Bonus	81 892	28 663
Car and Other Allowances	248 823	257 360
Company Contributions to UIF, Medical and Pension Funds	57 544	-
<b>Total</b>	<b>1 091 769</b>	<b>846 023</b>

The post was vacant as from 01 September 2012 until 30 April 2013. An Acting Allowance was paid for the period.

***Remuneration of the Manager: Community Services***

Annual Remuneration	541 839	506 708
Performance Bonus	45 789	-
Car and Other Allowances	286 107	272 294
Company Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>873 735</b>	<b>779 003</b>

***Remuneration of the Manager: Corporate Services***

Annual Remuneration	541 714	533 313
Performance Bonus	45 789	35 829
Car and Other Allowances	267 932	246 352
Company Contributions to UIF, Medical and Pension Funds	28 515	-
<b>Total</b>	<b>883 950</b>	<b>815 494</b>

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**Remuneration of the Manager: Local Economic Development**

Annual Remuneration	425 228	85 653
Performance Bonus	33 000	
Car and Other Allowances	243 556	15 879
Company Contributions to UIF, Medical and Pension Funds	30 225	
<b>Total</b>	<b>732 010</b>	<b>101 533</b>

The post is vacant and an acting allowance are being paid.

**Remuneration of the Manager: Infrastructure and Planning**

Annual Remuneration	543 336	508 206
Performance Bonus	45 789	14 331
Car and Other Allowances	306 151	294 563
Company Contributions to UIF, Medical and Pension Funds	-	
<b>Total</b>	<b>895 276</b>	<b>817 100</b>

**Remuneration of the Manager: Chief Operations Officer**

Annual Remuneration	572 133	562 496
Performance Bonus	30 526	7 166
Car and Other Allowances	231 003	214 314
Company Contributions to UIF, Medical and Pension Funds	55 121	
<b>Total</b>	<b>888 783</b>	<b>783 976</b>

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

**29 REMUNERATION OF COUNCILLORS**

Mayor	337 005	315 660
Speaker	285 427	166 426
Executive Committee Members	1 569 719	1 467 820
Councillors	9 417 258	9 371 844
Other Allowances (Cellular Phones, Housing, Transport, etc)	1 610 566	1 791 701
<b>Total Councillors' Remuneration</b>	<b>13 219 975</b>	<b>13 113 451</b>

For details per Councillor see Appendix G

**In-kind Benefits**

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor had the use of a residence of which Council paid the monthly rental.

The Mayor had an official office and car.

**30 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	31 695 169	29 029 680
Amortisation: Intangible Assets	283 054	151 136
<b>Total Depreciation and Amortisation</b>	<b>31 978 223</b>	<b>29 180 816</b>

**31 IMPAIRMENT LOSSES**

**31.1 Impairment Losses on Fixed Assets**

<b>Impairment Losses Recognised:</b>	-	94 976
Property, Plant and Equipment	-	94 976
	-	<b>94 976</b>

**31.2 Impairment Losses on Financial Assets**

<b>Impairment Losses Recognised:</b>	6 511 608	7 662 834
Receivables from Exchange Transactions	1 528 281	2 313 036
Receivables from Non-exchange Transactions	5 174 136	5 795 312
Minus impairment of VAT Debtors (Not an expense to entity)	(190 810)	(445 514)
<b>Impairment Losses Reversed:</b>	(7 385)	-
Receivables from Non-exchange Transactions	(7 385)	-
	<b>6 504 223</b>	<b>7 662 834</b>
<b>Total Impairment Losses</b>	<b>6 504 223</b>	<b>7 757 810</b>



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>32 FINANCE COSTS</b>		
Creditors Overdue	33 432	13 845
Finance Leases	100 058	127 394
On Provisions (Landfill & LSA Awards)	839 006	522 993
	<b>972 496</b>	<b>664 232</b>
<b>33 CONTRACTED SERVICES</b>		
Internal Audit	737 904	639 097
Debt Collection	509 947	-
Valuation Services	890 658	-
<b>Total Contracted Services</b>	<b>2 138 509</b>	<b>639 097</b>
<b>34 GRANTS AND SUBSIDIES PAID</b>		
Conditional Grants Paid (Electrification)	24 384 189	-
Community & Local Economic Development Projects	1 962 524	1 983 945
Free Basic Services	2 825 204	1 438 732
<b>Total Grants and Subsidies</b>	<b>29 171 918</b>	<b>3 422 676</b>
<p><b>Community Projects</b> are in respect of community cultural programs and catering &amp; transport cost of community development workers within the municipality's area of jurisdiction.</p> <p><b>Free Basic Services</b> are in respect of providing basic service levels to indigent households.</p>		
<b>35 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising Fees	620 720	573 350
Agrarian Reform	1 150 702	1 103 368
Ammunition	-	280
Annual Report	-	168 000
Audit Fees	3 357 505	3 281 834
Bandibanise : Formalization	-	200 768
Bank Charges	195 172	242 501
Batho Pele Programmes	50 794	175 214
Books & Publications	30 056	61 711
Branding & Marketing	497 731	469 258
Building Control Awareness	46 462	248 000
Bursaries (Internal)	69 121	234 230
Bursaries (Scarce Skills)	240 000	194 838
Career Exhibition	318 269	202 674
Catering	519 672	610 998
Cleaning Services	704 036	860 003
Communication Strategy	172 880	78 717
Community Based Planning	150 003	-
Community Radio Support	240 846	79 668
Compensation Fund	161 236	-
Conference Fees	115 792	71 183
Consultant & Professional Fees	2 289 381	2 086 253
Consumables & Beverages	42 855	29 207
Customer Care	48 520	57 306
Disaster Management Plan	96 179	92 413
Drivers Licence Cards	48 338	-
Electricity and Water Purchases	710 368	697 730
Employee Relations Programmes	35 170	43 713
Employment Equity Programmes	149 355	49 850
Entertainment	152 694	85 676
Environmental Management	178 070	262 565
Equipment Rental	501 031	308 554
Events & Programs	806 279	1 141 253
Extention 3 Mount Ayliff	-	123 395
Financial Systems	830 605	9 000

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
Fleet Rental Services	981 718	467 950
Food for Waste	1 204 587	736 267
Forestry Development	36 955	139 260
Fuel & Oil	1 370 428	1 276 442
Health and Safety	83 540	-
HIV/AIDS	46 257	56 616
ICT Infrastructure	-	192 341
ICT Licensing (Bulk)	159 828	318 132
ICT Support	207 483	113 163
IDP Out Reach	103 419	183 785
Impact Assessment	-	25 100
Induction Program	6 780	5 820
Insurance: External	676 247	712 547
Intergovernmental Relations (IGR)	93 980	131 880
Internal Audit Committee	1 237 442	839 512
Investment Promotion	75 514	164 773
Job Evaluation	145 598	-
Legal Fees	1 344 893	749 281
Material & Stores	72 931	32 444
Membership fees	13 137	411 844
Outreach Program	150 436	251 803
Performance Management System	144 816	-
Policy formulation & Review	3 640	-
Policy Roll Out Program	3 500	-
Post Boxes	1 266 510	-
Postage	4 652	3 730
Pound Fees	61 339	27 292
Printing & Stationery	991 907	998 273
Promotional Material	343 218	191 575
Public Safety	227 288	397 631
Ratepayers Incentive	118 158	140 000
Recruitment Activities	107 195	97 008
Refuse Bags & Bins	394 287	496 000
Security Costs	3 454 796	2 761 141
Small Towns Revitalisation	-	223 086
SMME Development	120 264	110 728
SMME External	184 453	91 836
Sports, Arts and Culture	283 415	309 569
SPU Programs	392 111	547 228
Strategic Planning	690 157	608 492
Strategic Support and Ind	80 355	817 041
Subscriptions	390	-
Subsistence and Travelling	2 944 776	3 711 621
Sundry Expenses	-	190
Survey and Planning	899 715	294 043
Telephone	2 612 009	2 429 403
Tourism	241 920	199 792
Training - Co-orps	72 258	-
Training - SMMEs	61 308	-
Training External	679 017	1 099 789
Uniforms & Protective Clothing	264 285	255 337
Urban Renewal	-	267 972
Vehicle Licensing	7 508	-
Ward Committees	2 295 500	1 370 423
Workman's Compensation Assurance	2 055 485	-
Year End Function	131 512	147 986
<b>Total General Expenses</b>	<b>43 678 762</b>	<b>38 249 651</b>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>36 GOVERNMENT GRANTS (CONDITIONAL)</b>		
The following operating expenditure were financed by the grants as indicated:		
Municipal Systems Improvement Grant (MSIG)	872 009	563 728
Financial Management Grant (FMG)	1 612 848	1 478 251
Department of Cooperative Government and Traditional Affairs (COGTA)	2 667 196	-
Department Education and Training (DEAT)	274 702	1 627 570
Extended Public Works Program (EPWP)	2 739 855	436 266
	<b>8 166 609</b>	<b>4 105 815</b>

The MSIG is used for capacity building of Councillors, Ward Committee seating allowance and Implimentation of the MPRA.  
The FMG is used for salaries of the financial interns, staff capasitation and the improvement of systems.  
The COGTA grant is utilised on "Operation Clean Audit" a National Government initiative to improve operations of Local Government.  
The DEAT grant is used for environmental impact assessments and project management.  
The EPWP grant is utilised for cleaning up operations in the municipal area.

**37 CHANGE IN ACCOUNTING POLICY**

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/2013 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

**37.1 GRAP 104: FINANCIAL INSTRUMENTS**

The municipality developed an Accounting Policy to fully comply with GRAP 104: *Financial Instruments*. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets (as illustrated below):

Reclassification of Financial Instruments

FINANCIAL ASSETS	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
Trade and Other Receivables from Exchange Transactions	Loans and Receivables	Amortised cost	104 967.64	104 967.64
Trade and Other Receivables from Non-Exchange Transactions	Loans and Receivables	Amortised cost	521 382.38	521 382.38
Bank, Cash and Cash Equivalents	Available for sale	Amortised cost	34 559 735.49	34 559 735.49

**37.2 GRAP 21: IMPAIRMENT OF NON-CASH-GENERATING ASSETS**

The municipality has developed Accounting Policies to fully comply with GRAP 21: *Impairment of Non-cash-generating Assets*. Previously the municipality used the principles set out in IPSAS 21 to account for impairment of Non - cash - generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

**37.3 GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS**

The municipality has developed Accounting Policies to fully comply with GRAP 26: *Impairment of Cash-generating Assets*. Previously the municipality used the principles set out in IAS 36 to account for impairment of Cash - generating assets. GRAP 26 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 26 and IAS 36 are similar.

**37.4 GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS**

The municipality has developed Accounting Policies to fully comply with GRAP 24: *Presentation of Budget Information in the Financial Statements*. Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix E2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Appendix E3: Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)
- Appendix E4: Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- Appendix E5: Reconciliation of Table A7 Budgeted Cash Flows

Appendix E1 and E2 were also presented last year. Appendix E3, E4 and E5 are presented for the first time for the year ending 30 June 2013.

**37.5 GRAP 103: HERITAGE ASSETS**

The municipality has developed Accounting Policies to fully comply with GRAP 103: *Heritage Assets*. In the previous financial years presented, management used GRAP 103 to formulate an Accounting Policy, therefore no retrospective adjustment is required to the Annual Financial Statements.

The municipality only have the Mayoral Chain as Heritage asset. It was previously part of Property Plant and Equipment and is measured at cost. The asset was thus transferred from Property Plant and Equipment to Heritage Assets.

**UMZIMVUBU LOCAL MUNICIPALITY**  
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**2013**  
**R**

**2012**  
**R**

**38 CORRECTION OF ERROR**

**38.1 Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2012 and 30 June 2011**

Appropriations are summarised as follows:

	<b>2012</b>	<b>2011</b>
Receivables from Exchange Transactions	81 812	32 533
Property, Plant and Equipment	-70 669	-
Heritage Assets	17 719	-
Provisions	-134 107	-
Payables from Exchange Transactions	1 252 507	-
Payables from Non-exchange Transactions	-1 036 722	-
	<u>110 541</u>	<u>32 533</u>

Increase / (Decrease) in Accumulated Surplus Account

**38.2 Reclassification of Revenue - 2010/11**

Rental of Facilities and Equipment

**Detail :**

Rental of Facilities and Equipment

*Account for the rental agreement between the municipality and Africa's Best 350*

<b>AFS</b>	<b>RESTATED</b>	<b>ADJUSTMENT</b>
965 203	997 736	-32 533
		<u>32 533</u>
		<u>32 533</u>

**38.3 Reclassification of Revenue - 2011/12**

Rental of Facilities and Equipment

**Detail :**

Rental of Facilities and Equipment

*Account for the rental agreement between the municipality and Africa's Best 350*

<b>AFS</b>	<b>RESTATED</b>	<b>ADJUSTMENT</b>
803 617	885 430	-81 812
		<u>81 812</u>
		<u>81 812</u>

**38.4 Reclassification of Expenditure - 2010/11**

**Detail :**

None

**38.5 Reclassification of Expenditure - 2011/12**

Employee Related Costs

Remuneration of Councillors

Depreciation and Amortisation

Impairment Losses

Repairs and Maintenance

Finance Costs

Contracted Services

Grants and Subsidies Paid

General Expenses

Government Grants (Conditional)

<b>AFS</b>	<b>RESTATED</b>	<b>ADJUSTMENT</b>
33 919 023	33 939 533	20 510
13 113 451	13 113 451	-
29 180 816	29 180 816	-
7 757 810	7 757 810	-
5 515 476	5 430 692	-84 784
664 232	664 232	-
667 186	639 097	-28 089
3 407 646	3 422 676	15 031
37 978 575	38 249 651	271 076
4 328 286	4 105 815	-222 472
<u>136 532 501</u>	<u>136 503 772</u>	<u>-28 728</u>

**Detail :**

Employee Related Costs

*Creditors over accrued at 30 June 2012*

*Creditors paid in respect of 2011/12 not included in the 2011/12 Annual Financial*

Repairs and Maintenance

*Creditors over accrued at 30 June 2012*

Contracted Services

*Creditors over accrued at 30 June 2012*

<b>AFS</b>	<b>RESTATED</b>	<b>ADJUSTMENT</b>
		-1 575
		<u>22 085</u>
		<u>20 510</u>
		-84 784
		<u>-84 784</u>
		-28 089
		<u>-28 089</u>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<u>Grants and Subsidies Paid</u>		
Creditors over accrued at 30 June 2012		-12 355
Creditors paid in respect of 2011/12 not included in the 2011/12 Annual Financial Statements		27 386
		15 031
<u>General Expenses</u>		
Creditors paid in respect of 2011/12 not included in the 2011/12 Annual Financial Statements		326 260
Creditors over accrued at 30 June 2012		-55 184
		271 076
<u>Government Grants (Conditional)</u>		-
Creditors paid in respect of 2011/12 not included in the 2011/12 Annual Financial Statements		24 000
Creditors over accrued at 30 June 2012		-246 472
		-222 472
<b>38.6 Reclassification of Statement of Financial Position : 30 June 2011</b>	<b>AFS</b>	<b>RESTATED</b>
Receivables from Exchange Transactions	628 346	660 879
<b>Details :</b>		
<u>Receivables from Exchange Transactions</u>		
Account for the rental agreement between the municipality and Africa's Best 350		32 533
		32 533
<b>38.7 Reclassification of Statement of Financial Position : 30 June 2012</b>	<b>AFS</b>	<b>RESTATED</b>
Inventories	451 017	451 017
Non-current Assets Held-for-Sale	75 240	75 240
Receivables from Exchange Transactions	104 968	104 968
Receivables from Non-exchange Transactions	553 916	635 728
VAT Receivable	769 944	769 944
Cash and Cash Equivalents	34 559 735	34 559 735
Operating Lease Receivables	83 610	83 610
Property, Plant and Equipment	213 856 505	213 785 837
Intangible Assets	895 144	895 144
Investment Property	14 286 000	14 286 000
Heritage Assets	-	17 719
Provisions	-	134 107
Payables from Exchange Transactions	11 045 615	9 793 108
Payables from Non-exchange Transactions		1 036 722
Unspent Conditional Grants and Receipts	1 737 435	1 737 435
Current Portion of Long-term Liabilities	318 749	318 749
Long-term Liabilities	936 730	936 730
Non-current Provisions	6 126 599	6 126 599
	251 597 551	251 708 092
<b>Details:</b>		
<u>Receivables from Exchange Transactions</u>		
Account for the rental agreement between the municipality and Africa's Best 350		81 812
		81 812
<u>Property, Plant and Equipment</u>		
Refer to note on "Change in Accounting Policy"		-17 719
Creditors over accrued at 30 June 2012		-52 950
		-70 669
<u>Heritage Assets</u>		
Refer to note on "Change in Accounting Policy"		17 719
		17 719
<u>Provisions</u>		
The provision for Long Services Awards (short term protion) was previously incorrectly included with Payables.		134 107
		134 107
<u>Payables from Exchange Transactions</u>		
Creditors paid in respect of 2011/12 not included in the 2011/12 Annual Financial Statements		399 730
Creditors previously classified in total now divided into Exchange and Non-Exchange Payables		-1 170 828
Creditors over accrued at 30 June 2012		-481 409
		-1 252 507

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

2013 R	2012 R
	1 170 828
	-134 107
	<u>1 036 721</u>

Payables from Non-exchange Transactions

*Creditors previously classified in total now divided into Exchange and Non-Exchange Payables*

*The provision for Long Services Awards (short term portion) was previously incorrectly included with Payables but must be disclosed as a Provision*

**38.8 Reclassification of Cash Flow Statement:**

**ADJUSTMENT**

Payments

Employee Related Costs	20 509
Suppliers Paid	44 795
Other Payments	-12 355
<u>Investing activities</u>	
Purchase of Property, Plant and Equipment	-52 949

**Details :**

**ADJUSTMENT**

Employee Related Costs

Sundry Allowances disclosed under Suppliers	22 084
Creditors over accrued at 30 June 2012	-1 575
	<u>20 509</u>

Suppliers Paid

Sundry Allowances disclosed under Suppliers	-22 084
Creditors over accrued at 30 June 2012	66 879
	<u>44 795</u>

Other Payments

Creditors over accrued at 30 June 2012	-12 355
	<u>-12 355</u>

Purchase of Property, Plant and Equipment

Creditors over accrued at 30 June 2012	-52 949
	<u>-52 949</u>

**39 CHANGE IN ACCOUNTING ESTIMATES**

**39.1 Landfill site provision for rehabilitation:**

The estimated future cash flows required to settle the obligation for rehabilitation of Umzimvubu Municipality's landfill sites has changed due to a change in the master rates applied in estimating future costs. This has resulted in an increase in the carrying amount of the landfill site asset and balance of the provision respectively by R 2 783 235.59.

**40 CASH GENERATED BY OPERATIONS**

Surplus / (Deficit) for the Year	7 161 782	(918 426)
Adjustment for:		
Correction of Prior Year Errors		110 541
Depreciation and Amortisation	31 978 223	29 180 816
Impairment Losses on Property, Plant and Equipment	-	94 976
Losses / (Gains) on Disposal of Property, Plant and Equipment	38 967	-
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	75 240
Expenditure incurred from Long Service Benefits	(81 299)	(110 794)
Contribution to Provisions - Current	20 177	134 107
Contribution to Provisions - Non-current	3 862 893	620 581
Contribution to Impairment Provision	6 504 223	8 108 348
<b>Operating surplus before working capital changes</b>	<b>49 484 966</b>	<b>37 295 389</b>
Decrease/(Increase) in Inventories	(31 100)	(96 740)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	0	(75 240)
Decrease/(Increase) in Receivables from Exchange Transactions	(1 505 519)	(1 789 658)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(6 162 847)	9 794 814
Decrease/(Increase) in VAT Receivable	(1 959 515)	6 595 779
Decrease/(Increase) in Operating Lease Assets	(22 904)	153 094
Increase/(Decrease) in Payables from Exchange Transactions	1 093 527	(3 571 216)
Increase/(Decrease) in Payables from Non-exchange Transactions	(307 984)	498 404
Increase/(Decrease) in Conditional Grants and Receipts	24 031 620	(279 147)
<b>Cash generated by / (utilised in) Operations</b>	<b>64 620 245</b>	<b>48 525 479</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>41 NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>	-	-
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.		
<b>42 FINANCING FACILITIES</b>		
The municipality did not have any Financing Facilities available at any time during the two financial years.		
<b>43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities (See Note 18)	936 730	1 255 479
Used to finance Property, Plant and Equipment - at cost	(936 730)	(1 255 479)
<b>Cash invested for Repayment of Long-term Liabilities</b>	<u>-</u>	<u>-</u>
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.		
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>44.1 Unauthorised Expenditure</b>		
To management's best of knowledge no Unauthorised Expenditure was incurred during the six months under review.		
<b>44.2 Fruitless and Wasteful Expenditure</b>		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	13 845	48 772
Fruitless and Wasteful Expenditure current year	80 794	13 845
Written off by Council	(13 845)	(48 772)
Fruitless and Wasteful Expenditure awaiting condonement	<u>80 793</u>	<u>13 845</u>
<b>44.3 Irregular Expenditure</b>		
To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.		
Reconciliation of Irregular Expenditure:		
Opening balance	847 728	25 985 204
Irregular Expenditure current year		847 728
Written off by Council	(847 728)	(25 985 204)
Irregular Expenditure awaiting condonement	<u>(0)</u>	<u>847 728</u>
<b>45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>45.1 Contributions to organised local government - SALGA</b>		
Opening Balance	363 422	302 046
Council Subscriptions	450 000	363 422
Amount Paid - current year	-	-
Amount Paid - previous years	(363 422)	(302 046)
<b>Balance Unpaid (included in Creditors)</b>	<u>450 000</u>	<u>363 422</u>
<b>45.2 Audit Fees</b>		
Opening Balance	282 956	139 545
Current year Audit Fee	3 353 404	3 138 423
Amount Paid - current year	(3 079 508)	(2 731 147)
Amount Paid - previous years	(282 955)	(263 865)
<b>Balance Unpaid (included in Creditors)</b>	<u>273 896</u>	<u>282 956</u>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

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**R**

The balance unpaid represents the audit fee for an interim audit conducted during April and May 2012.

**45.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

**45.4 PAYE, Skills Development Levy and UIF**

Opening Balance	(0)	(458 934)
Current year Payroll Deductions	9 593 264	8 069 719
Amount Paid - current year	(9 593 264)	(7 610 785)
<b>Balance Unpaid (included in Creditors)</b>	<b>(0)</b>	<b>(0)</b>

**45.5 Pension and Medical Aid Deductions**

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	7 076 948	5 902 817
Amount Paid - current year	(7 076 948)	(5 902 817)
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>

**45.6 Councillor's arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
<b>30 June 2013</b>			
Mbele N	2 507	405	2 102
<b>Total Councillor Arrear Consumer Accounts</b>	<b>2 507</b>	<b>405</b>	<b>2 102</b>
<b>30 June 2012</b>			
Mbele N	2 295	273	2 022
<b>Total Councillor Arrear Consumer Accounts</b>	<b>2 295</b>	<b>273</b>	<b>2 022</b>

**45.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

No known matters existed at reporting date.

**45.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Community Services	2013/01/10	Truvelo Manufactures (Pty) Ltd	Truvelo Manufactures (Pty) Ltd is the sole supplier of calibrator machines. the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R 8 904
	2013/02/12	Barloworld Equipment	Barloworld Equipment is the sole supplier of Catapillar Equipment (TLB Reg No FNK 754 EC). the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R 12 964



**UMZIMVUBU LOCAL MUNICIPALITY**  
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**2013**  
**R**

**2012**  
**R**

2013/02/18	Prodiba (Pty) Ltd	Prodiba (Pty) Ltd is the sole supplier of LCU and its toner machines. the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	3 273
2013/02/25	Bell Equipment	Bell Equipment is the sole supplier of Bell Equipment (TLB Reg No DBR 050 EC). the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	92 946
2013/02/27	Powerhouse Auto & Towing	PowerHouse Auto & Towing was the only towing company that tows compactor truck available in our database, the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	6 133
2013/03/19	Mount Currie Tractors (Pty) Ltd	The tractor was bought from Mount Currie (Pty) Ltd and due to warranties and maintenance plan this is a preferred service for repairs . the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	3 701
2014/04/05	Emcom	The Control Room Equipment were bought from Emcom, but now it is no longer compatible with the current system and needs to be upgraded and due to warranties and speciality of this machine, Emcom is a preferred service provider . the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	20 791
2013/05/30	Rand Data Forms (Pty) Ltd	Rand Data (Pty) Ltd is the sole supplier that specialises with traffic fine forms (sec 341) and that is in our database, so the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	8 916
8 Occasions occurred during the financial year for the procurement goods and services amounting to R 157627				

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

				<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
Corporate Support Services	2013/01/07	Margate Hotel	Margate Hotel was the lowest at R252 040.00, the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	252 040
	2013/04/15	Peermont Mandazur	This a council strategic planning whereby all members must be in the same place for team building and punctuality in terms of time, so there is no way we can accommodate some member in another place expect in one place and this is the accommodation, therefore the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	230 447
	2013/05/24	Ozone Fire	Ozone Fire is the sole supplier that specialises with fire extinguishers and that is in our database, so the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	26 197
3 Occasions occurred during the financial year for the procurement goods and services amounting to R 508684					
Financial Services	2013/02/14	Durcharme Consulting Pty Ltd	Durcharme Consulting is a accredited service provider that has design a special tool for the automation of the monthly reporting to National Treasury , and they have been assisting the municipality in designing a structured vote system which will in the end also assists in the automation / preparation of AFS. The deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	116 736
1 Occasion occurred during the financial year for the procurement goods and services amounting to R 116736					
Infrastructure and Planning	2013/05/29	Gilbert Geosynthetics	Gilbert Geosynthetics is the sole supplier of Gabions baskets for protection of erosion that is available in our database. the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R	33 413

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

			2013 R	2012 R
	2013/07/19	Barloworld Caterpillar	Barloworld Caterpillar is the manufacture of Cat TLB and the TLB is under warranty. the deviation was due to exceptional case where it is impractical or impossible to follow the official procurement processes. (refer to ULM SCM policy 36 (1)(a) (v).	R 49 470
2 Occasions occurred during the financial year for the procurement goods and services amounting to R 82883				

**46 COMMITMENTS FOR EXPENDITURE**

**46.1 Capital Commitments**

The municipality had no capital commitments at year-end.

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

Land and Buildings

Infrastructure

Community

**Total Capital Commitments**

This expenditure will be financed from:

Government Grants

Commitments for the acquisition of Property, Plant and Equipment

<b>38 774 437</b>	<b>11 395 981</b>
311 556	816 919
23 805 858	9 260 430
14 657 023	1 318 632
<b>38 774 437</b>	<b>11 395 981</b>
38 774 437	11 395 981
<b>38 774 437</b>	<b>11 395 981</b>
<b>38 774 437</b>	<b>11 395 981</b>

**46.2 Lease Commitments**

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 17 and 18.

Non-cancellable Operating Lease Commitments are disclosed in Note 17.

**46.3 Other Commitments**

The municipality has entered into a contract with Ducharme Consulting Services for the assistance of asset verification, compilation of the Assets Register, restructuring of Chart of Accounts and the compilation of Annual Financial Statements for 6 months, which will give rise to a total charge of R1 289 424.00

The municipality has entered into a contract with Gijima Mbasa JV Amazizi Amahle for Security Services, Mt. Frere Offices for 2 years, which will give rise to a charge of R2 020 057.20 of actual project expenditure payable on a monthly basis.

The municipality has entered into a contract with SLK Security and Cleaning Services for the provision of security services for Mt. Ayliff Offices for the next 2 years, which will give rise to an annual charge of R1 682 567.04

The municipality has entered into a contract with Vodacom Pty Ltd for cellphones for both councillors and employees for two years.

The municipality has entered into a contract with REVCO for the management and collection of Municipal debts for Mt. Frere and Mt. Ayliff at 17.1% commission based on collection

The municipality has entered into a contract with Fleet Africa for leasing of vehicle on FML agreement for 5 years reviewed after three years, which will give rise to a charge of approximately R8 067 005.50

The municipality has entered into a contract with Konica Minolta for leasing of printing and fax machines for 36 months reviewed, which will give rise to a charge of approximately R1 200 000-00

The municipality has entered into a contract with Indwe Risk Services for insuring of Municipal Assets for a period of two years which will give rise to a charge of approximately R1 500 000-00

The municipality has entered into a contract with Price Water House Coopers for Internal Audit Services for a period of three years which will give rise to a charge of approximately R933 311.00

**47 FINANCIAL INSTRUMENTS**

**47.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

**UMZIMVUBU LOCAL MUNICIPALITY**  
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		2013 R	2012 R
<b><u>Financial Assets</u></b>	<b><u>Classification</u></b>		
<b>Receivables from Exchange Transactions</b>			
Refuse	Amortised cost	50 958	81 235
Other Receivables	Amortised cost	31 247	23 733
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	557 365	498 321
Government Subsidy Claims	Amortised cost	16 632	2 769
Interest on Debtors	Amortised cost	58 628	20 293
Sundry Debtors	Amortised cost	999 198	-
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	49 511 022	29 365 014
Bank Balances	Amortised cost	-	5 193 844
Cash Floats and Advances	Amortised cost	877	877
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Receivables from Exchange Transactions	Refuse	50 958	81 235
Receivables from Exchange Transactions	Other Debtors	31 247	23 733
Receivables from Non-exchange Transactions	Assessment Rates Debtors	557 365	498 321
Receivables from Non-exchange Transactions	Sundry Deposits	16 632	2 769
Receivables from Non-exchange Transactions	Interest on Debtors	58 628	20 293
Receivables from Non-exchange Transactions	Sundry Debtors	999 198	-
		<u>1 714 029</u>	<u>740 696</u>
<b>Financial Assets at Fair Value:</b>			
Cash and Cash Equivalents	Call Deposits	49 511 022	29 365 014
Cash and Cash Equivalents	Bank Balances	-	5 193 844
Cash and Cash Equivalents	Cash Floats and Advances	877	877
		<u>49 511 900</u>	<u>34 559 735</u>
<b>Total Financial Assets</b>		<u><b>51 225 928</b></u>	<u><b>35 300 431</b></u>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<b><u>Financial Liabilities</u></b>	<b><u>Classification</u></b>		
<b>Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	588 079	936 730
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	7 452 339	7 322 381
Retentions	Amortised cost	543 379	348 968
Staff Leave Accrued		2 635 598	2 055 302
Other Creditors	Amortised cost	75 294	10 966
<b>Payables from Non-exchange Transactions</b>			
Sundry Deposits	Amortised cost	40 535	40 535
<b>Bank Overdraft</b>			
Bank Overdraft	Fair value	510 138	-
<b>Current Portion of Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	348 650	318 749
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Finance Lease Liabilities	588 079	936 730
Payables from Exchange Transactions	Trade Creditors	7 452 339	7 322 381
Payables from Exchange Transactions	Retentions	543 379	348 968
Payables from Exchange Transactions	Staff Leave Accrued	2 635 598	2 055 302
Payables from Exchange Transactions	Other Creditors	75 294	10 966
Payables from Non-exchange Transactions	Sundry Deposits	40 535	40 535
Current Portion of Long-term Liabilities	Finance Lease Liabilities	348 650	318 749
		<u>11 683 875</u>	<u>11 033 631</u>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		2013 R	2012 R
<b>Financial Liabilities at Fair Value:</b>			
Bank Overdraft	Bank Overdraft	510 138	-
		<u>510 138</u>	<u>-</u>
<b>Total Financial Liabilities</b>		<u><b>12 194 012</b></u>	<u><b>11 033 631</b></u>

**47.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash and Short-term Investments**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2013**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Call Deposits	-	49 511 022	-	49 511 022
Bank Balances and Cash	-	877	-	877
<b>Total Financial Assets</b>	<u>-</u>	<u>49 511 900</u>	<u>-</u>	<u>49 511 900</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
Bank Overdraft	-	510 138	-	510 138
<b>Total Financial Liabilities</b>	<u>-</u>	<u>510 138</u>	<u>-</u>	<u>510 138</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>49 001 762</u>	<u>-</u>	<u>49 001 762</u>

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			2013 R	2012 R
<b>30 June 2012</b>				
	<b>Level 1 R</b>	<b>Level 2 R</b>	<b>Level 3 R</b>	<b>Total R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Call Deposits	-	29 365 014	-	29 365 014
Bank Balances and Cash	-	5 194 722	-	5 194 722
<b>Total Financial Instruments</b>	<u>-</u>	<u>34 559 735</u>	<u>-</u>	<u>34 559 735</u>

**47.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

**Gearing Ratio**

	2013 R	2012 R
The gearing ratio at the year-end was as follows:		
Debt	1 487 402	1 296 014
Cash and Cash Equivalents	(877)	(5 194 722)
Net Debt	<u>1 486 524</u>	<u>(3 898 708)</u>
Equity	<u>252 743 274</u>	<u>245 581 492</u>
<b>Net debt to equity ratio</b>	<u><b>0.59%</b></u>	<u><b>-1.59%</b></u>

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**47.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**47.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

**47.6 Market Risk**

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**47.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**47.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

**47.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Consumer Debtors	10 757 075	9 251 556
Other Debtors	33 126 111	26 963 264
Bank, Cash and Cash Equivalents	49 001 762	34 559 735
<b>Maximum Credit and Interest Risk Exposure</b>	<b><u>92 884 948</u></b>	<b><u>70 774 556</u></b>



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**47 FINANCIAL INSTRUMENTS (Continued)**

***47.8 Liquidity Risk Management***

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

***47.9 Other Price Risks***

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Financial Instruments was restated due to the change in accounting policy from IFRS 7 to GRAP 104

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**48 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R2 654 296 (2012: R2 370 553) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED CONTRIBUTION SCHEMES**

**Municipal Councillors Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the market value of the fund was R1 446,8 (30 June 2009: R1 223,7) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

**Municipal Employees Pension Fund**

No details could be provided for the fund and of any valuation performed.

**National Fund for Municipal Workers - Provident Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2008.

The net assets available for benefits were R3 617 (2007: R3 696) million.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

**49 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**49.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with municipal employees as indicated below:

Family member	Department	Remuneration	Relationship	Related Party
Cllr Z Ndevu	Budget & Treasury	154 408	Cousin	B Ndevu
Cllr MM Mpepanduku	Council	244 707	Daughter	S Mpepanduku
Cllr MM Mpepanduku	Citizens Services	75 392	Cousin	ZR Mpepanduku
Cllr NM Mlenzana	Programmes	588 500	Cousin	LL Mlenzana
Cllr NN Boyce	Citizens Services	75 392	Cousin	GN Boyce
Cllr NN Boyce	Citizens Services	75 392	Cousin	T Boyce
Mr MN Sineke	Citizens Services	72 842	Cousin	S Sineke

**49.2 Services rendered to Related Parties**

The municipality did not render any services during the year to anyone that can be considered as a related party.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**49.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

**49.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**49.5 Purchases from Related Parties**

The municipality did not buy goods from any companies which can be considered to be Related Parties.

**50 CONTINGENT LIABILITIES**

**50.1 Guarantees:**

The municipality did not issue any guarantee during the financial years under review.

**50.2 Court Proceedings:**

**5 309 604**

**6 522 873**

*(i) Dispute on tender for Food Programme awarded:*

An application was brought by Mbali Rural Developers in the High Court to prevent Umzimvubu Municipality from awarding the food programme contract to any other entity person. Mbali's application is academic as the municipality decided not to award the contract. Mbali are persisting with their application to recover their cost which are opposed by the municipality. Legal council proposed at 30 June 2013 that an amount of R408 000 be disclosed as a contingent liability.

*(ii) Wrongful Arrest:*

The municipality has been sued for R560 000 by an individual for a wrongful arrest and detention by a traffic officer.

*(iii) ULM/ Simthembile Kufa*

The applicant has unlawfully occupied and emarcated and subdivided land for building the mortuary and dwellings. No approval for construction issued.

*(iv) Non-payment for work done:*

The municipality are being sued by Maximum Profit Recovery (Pty) Ltd for an amount of R526 868.24 for a VAT recovery audit being done by them and afterwards by another service provider who was paid the relevant commission .

*(v) Quinlec Electricity*

Civil Claim against the municipality. (R90 000)

*(vi) Dispute over Contract awarded*

Phiko Security Services have instituted action against the municipality for an amount of R756 005 plus interest at 15.5% for services rendered plus legal costs. The value of the liability is estimated at about R906 005

*(vii) Sunset Beach Trading 299CC*

The claimant has brought a case against the municipality for cancelling a contract and the municipality is exposed to the value of the contract for R900 000.

*(viii) ULM Ratepayers Association*

Letter of demand send to the municipality demanding cessation. (R100 000)

*(ix) Mr Khaya Jackson Mandyoli - Vehicle impound by Traffic Officers*

Mr Mandyoli claims against the municipality an amount of R200 000 for damages suffered because of the impounding of his vehicle by the Municipal Traffic Officers.

*(x) Mathemba Lawrence Ngqwala - Occupation of land*

Dispute over property which the municipality occupies. (R100 000)

*(x) Bongeka Mankayiya/ Umzimvubu Local Municipality and Phiko Security*

Litigation matter. (R80 000)

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
(xi) Busiswa Novukela Labour Law (R120 000)		
(xii) Illiso Consulting (Pty) Ltd Civil Claim against the municipality. (R90 000)	-	-
(xiii) Tumbu NF Litigation matter. (R120 000)	-	-
(xiv) Ndlobeni ASJ Labour Law (R80 000)		
(xv) Zanamanzi Services (Pty) Ltd Claim for services rendered at Maluti in 2006 for the amount of R258 731		
(xvi) Fana Makaula, Jeffery Sankqela and others and Andile Menyo. Matters arising from the invasion of land. The exposure to the municipality is valued at R770 000		

**51 CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**52 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the twelve months under review.

**53 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**54 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

**55 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 37) and Prior Period Errors (Note 38).

**56 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) The Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the socio-economic profile (high unemployment rate) of Kamiesberg communities resulted in a serious risk for Kamiesberg Municipality's going concern.

Unless sustainable job creation is achieved, Umzimvubu Local Municipality will not be able to function as a going concern without Government Grants and Subsidies.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R	R	R	R
<b>CAPITAL LEASE LIABILITIES</b>								
Isuzu KB50D LWB S/Cab FMX 914 EC	187 807	Prime	1	21-Jan-16	140 012		35 627	104 385
Isuzu KB250D TEQ S/Cab FMX 923 EC	265 351	Prime	2	22-Dec-15	197 822		50 338	147 484
Isuzu KB250D TEQ D/Cab FMX 972 EC	328 421	Prime	3	21-Jan-16	244 841		62 302	182 539
Chevrolet Aveo 1.6 L FNH 218 EC	137 450	Prime	4	31-Jan-16	104 539		25 881	78 659
Chevrolet Aveo 1.6 L FMX 935 EC	152 450	Prime	5	21-Jan-16	113 653		28 920	84 733
Chevrolet Aveo 1.6 L FMX 936 EC	152 450	Prime	6	21-Jan-16	113 653		28 920	84 733
Chevrolet Aveo 1.6 L FMX 937 EC	152 450	Prime	7	21-Jan-16	113 653		28 920	84 733
Chevrolet Aveo 1.6 L FMX 938 EC	152 450	Prime	8	21-Jan-16	113 653		28 920	84 733
Chevrolet Aveo 1.6 L FMX 940 EC	152 450	Prime	10	21-Jan-16	113 653		28 920	84 733
<b>TOTAL EXTERNAL LOANS</b>	<b>1 681 279</b>				<b>1 255 479</b>	<b>-</b>	<b>318 749</b>	<b>936 730</b>

Vehicle Leases:

Vehicles are leased from Fleetafrica for a period of 5 years with the interest rate linked to the prime overdraft rate.

At the expiry of the leases, the municipality do not have the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds

**APPENDIX B**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>												
<i>Land:</i>												
Land: Developed	-	-	666 615	-	-	666 615	-	-	-	-	-	666 615
Land: Undeveloped	23 302 800	-	-	-	-	23 302 800	-	-	-	-	-	23 302 800
<i>Buildings:</i>												
Office Buildings	27 851 574	157 411	4 890 470	-	-	32 899 455	3 343 043	1 115 107	-	-	4 458 150	28 441 306
Residences	-	-	2 625 605	-	-	2 625 605	-	-	-	-	-	2 625 605
Mobile Offices	385 163	42 500	-	-	-	427 663	199 120	82 483	-	-	281 604	146 059
Land and Buildings	<b>51 539 537</b>	<b>199 911</b>	<b>8 182 690.03</b>	-	-	<b>59 922 139</b>	<b>3 542 163</b>	<b>1 197 590</b>	-	-	<b>4 739 753</b>	<b>55 182 385</b>
<b>Infrastructure</b>												
<i>Roads and Transport:</i>												
Bridges - Vehicle: Concrete	1 919 260	-	-	-	-	1 919 260	185 138	38 358	-	-	223 496	1 695 765
Bus / Taxi Terminals	152 952	-	-	-	-	152 952	71 422	10 189	-	-	81 612	71 340
Parking Meters	-	185 000	-	-	-	185 000	-	878	-	-	878	184 122
Pedestrian Footpaths	-	-	-	-	-	-	-	-	-	-	-	-
Roads - Asphalt	26 203 871	-	4 458 710	28 653 977	-	59 316 558	2 637 364	863 907	-	-	3 501 270	55 815 287
Roads - Gravel Surface	182 197 693	8 094 178	6 214 478	12 234 632	-	208 740 980	149 667 626	23 092 398	-	-	172 760 024	35 980 957
Roads - Retaining Walls	3 581	-	-	-	-	3 581	1 313	179	-	-	1 491	2 089
Street Lighting	-	-	-	1 729 385	-	1 729 385	-	1 184	-	-	1 184	1 728 202
Streetname Signs	-	426 007	-	-	-	426 007	-	10 638	-	-	10 638	415 369
Traffic Signs	39 967	-	-	-	-	39 967	28 319	3 993	-	-	32 313	7 654
<i>Sanitation:</i>												
Landfill Site - Structure	3 774 776	2 783 236	-	-	-	6 558 012	733 035	188 610	-	-	921 644	5 636 367
Landfill Site - Weighbridge	-	-	294 926	-	-	294 926	-	-	-	-	-	294 926
Transfer Station	-	-	1 109 887	-	-	1 109 887	-	-	-	-	-	1 109 887
Sanitation - Concrete Bins	23 220	-	-	-	-	23 220	2 111	4 641	-	-	6 752	16 468
<i>Security Measures:</i>												
Fencing / Perimeter Protection	3 165 113	-	-	-	-	3 165 113	1 618 575	272 673	-	-	1 891 248	1 273 866
<i>Sewerage:</i>												
Sewer Purification Works	-	625 096	-	-	-	625 096	-	1 369	-	-	1 369	623 727
	-	-	-	-	-	-	-	-	-	-	-	-
<i>Water:</i>												
Water Boreholes - Mechanical	57 014	-	-	-	-	57 014	7 619	3 798	-	-	11 417	45 597
Water Boreholes - Structure	100 000	-	-	-	-	100 000	80 219	19 781	-	-	100 000	-
Water Tanks	7 805	-	-	-	-	7 805	638	1 114	-	-	1 752	6 052
Infrastructure	<b>217 645 252</b>	<b>12 113 517</b>	<b>12 078 000</b>	<b>42 617 994</b>	-	<b>284 454 763</b>	<b>155 033 378</b>	<b>24 513 709</b>	-	-	<b>179 547 087</b>	<b>104 907 676</b>
<b>Community Assets</b>												
<i>Recreational Facilities:</i>												
Parks	-	-	3 813 583	-	-	3 813 583	-	-	-	-	-	3 813 583
<i>Sports Facilities:</i>												
Indoor Sports Facilities	73 368	-	-	-	-	73 368	8 806	2 933	-	-	11 739	61 629
Outdoor Sports Facilities	3 960 066	-	-	-	-	3 960 066	465 639	158 299	-	-	623 938	3 336 128
Basketball Courts	264 478	-	-	-	-	264 478	31 745	10 572	-	-	42 318	222 160
Fencing / Perimeter Protection	186 028	-	-	-	-	186 028	55 829	18 587	-	-	74 416	111 611

<i>Other Facilities:</i>												
Care Centers	42 720 401	-	-	-	-	42 720 401	14 965 972	1 707 693	-	-	16 673 665	26 046 736
Cemeteries	230 572	-	1 536 329	-	-	1 766 901	27 701	9 217	-	-	36 918	1 729 983
Community Centers	26 640 052	2 580 054	3 010 980	1 317 581	-	33 548 667	8 176 452	1 106 518	-	-	9 282 970	24 265 697
Fencing / Perimeter Protection	58 015	-	-	-	-	58 015	48 565	3 342	-	-	51 907	6 108
Markets	-	-	3 036 581	-	-	3 036 581	-	-	-	-	-	3 036 581
Nurseries	-	1 861	484 539	-	-	486 400	-	37	-	-	37	486 362
Public Conveniences and Bathrooms	300 697	-	-	-	-	300 697	114 239	12 020	-	-	126 259	174 438
Pound	-	518 593	-	-	-	518 593	-	1 136	-	-	1 136	517 457
<b>Community Assets</b>	<b>74 433 676</b>	<b>3 100 507</b>	<b>11 882 012</b>	<b>1 317 581</b>	<b>-</b>	<b>90 733 777</b>	<b>23 894 949</b>	<b>3 030 354</b>	<b>-</b>	<b>-</b>	<b>26 925 303</b>	<b>63 808 474</b>
<b>Leased Assets</b>												
Leased Motor Vehicles	1 681 279	-	-	-	-	1 681 279	509 751	336 072	-	-	845 822	835 456
<b>Leased Assets</b>	<b>1 681 279</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 681 279</b>	<b>509 751</b>	<b>336 072</b>	<b>-</b>	<b>-</b>	<b>845 822</b>	<b>835 456</b>
<b>Other Assets</b>												
<i>Computer Equipment:</i>												
Computer Hardware (including Op	2 584 818	422 428	-	-	-	3 007 246	1 392 020	635 399	-	-	2 027 420	979 827
Computer Networks	19 416	73 076	-	-	-	92 492	14 579	4 837	-	-	19 416	73 076
<i>Emergency Equipment:</i>												
Emergency / Rescue Equipment:	-	23 396	-	-	-	23 396	-	1 556	-	-	1 556	21 840
Fire Fighting Equipment	39 000	-	-	-	-	39 000	747	9 743	-	-	10 491	28 509
<i>Furniture and Fittings:</i>												
Domestic / Hostel Furniture	133 195	18 695	-	-	-	151 890	51 752	14 486	-	-	66 237	85 652
Other Furniture and Fittings	2 682 053	105 817	-	-	-	2 787 870	1 737 697	522 327	-	-	2 260 024	527 846
Air Conditioners (Individual)	179 447	-	-	-	-	179 447	165 705	7 244	-	-	172 949	6 498
Domestic Equipment	25 086	-	-	-	-	25 086	14 341	5 014	-	-	19 356	5 730
Kitchen Appliances	26 197	8 150	-	-	-	34 347	15 724	5 731	-	-	21 455	12 892
Decorative Signage	350 600	-	-	-	-	350 600	28 394	50 047	-	-	78 440	272 160
<i>Transport Assets</i>												
Bakkies (LDV's)	445 270	-	-	-	-	445 270	240 534	80 130	-	-	320 664	124 606
Busses	316 216	-	-	-	-	316 216	170 819	56 892	-	-	227 711	88 505
Motor Cars	510 476	583 890	-	-	-	1 094 366	186 489	171 000	-	-	357 489	736 877
Tractors	-	179 386	-	-	-	179 386	-	21 503	-	-	21 503	157 882
Trailers and Accessories	150 200	-	-	-	-	150 200	72 468	27 025	-	-	99 493	50 707
Trucks	1 056 207	-	-	-	-	1 056 207	459 298	190 037	-	-	649 335	406 872
<i>Office Equipment:</i>												
Office Equipment / Machines	148 987	14 920	-	-	-	163 907	77 486	30 222	-	-	107 708	56 199
Photographic Equipment	190 717	9 509	-	-	-	200 226	98 456	65 875	-	-	164 331	35 894
<i>Plant and Equipment:</i>												
Compressors, Generators and All	-	34 606	-	-	-	34 606	-	596	-	-	596	34 010
Container - Storage	634 535	-	-	-	-	634 535	254 370	126 838	-	-	381 207	253 328
Fire Arms	12 419	-	-	-	-	12 419	10 945	1 473	-	-	12 419	-
Gardening Equipment	132 013	244 295	-	-	-	376 308	66 308	49 709	-	-	116 017	260 292
Radio Equipment	29 962	18 238	-	-	-	48 200	22 497	7 702	-	-	30 199	18 000
Road Construction and Maintenance	-	113 985	-	-	-	113 985	-	1 623	-	-	1 623	112 362
Security Equipment / Systems / M	-	168 262	-	-	-	168 262	-	13 914	-	-	13 914	154 348
Tents, Flags and Accessories	-	26 100	-	-	-	26 100	-	57	-	-	57	26 043
Workshop Equipment	-	319 506	-	-	-	319 506	-	7 946	-	-	7 946	311 559
Workshop Tools	937 914	110 427	-	-	-	1 048 342	757 881	171 689	-	-	929 570	118 771
Other Plant and Equipment	468 293	99 762	-	-	-	568 055	236 853	119 185	-	-	356 038	212 017
<i>Specialised Vehicles:</i>												

Tipplers	305 072	-	-	-	-	305 072	164 799	54 884	-	-	219 684	85 389
Waste Disposal Trucks	1 809 699	-	-	-	-	1 809 699	37 165	162 756	-	-	199 921	1 609 778
Other Assets	13 187 792	2 574 447	-	-	-	15 762 239	6 277 327	2 617 444	-	-	8 894 771	6 867 468
<b>Total PPE</b>	<b>358 487 537</b>	<b>17 988 382</b>	<b>32 142 702</b>	<b>43 935 575</b>	<b>-</b>	<b>452 554 196</b>	<b>189 257 568</b>	<b>31 695 169</b>	<b>-</b>	<b>-</b>	<b>220 952 737</b>	<b>231 601 459</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties	14 286 000	-	-	-	-	14 286 000	-	-	-	-	-	14 286 000
IP Land	14 286 000	-	-	-	-	14 286 000	-	-	-	-	-	14 286 000
Investment Properties												

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets	-	-	86 400	-	-	86 400	-	-	-	-	-	86 400
Website	1 391 978	384 951	-	-	-	1 776 929	583 234	283 054	-	-	866 288	910 641
Computer Software	1 391 978	384 951	86 400	-	-	1 863 329	583 234	283 054	-	-	866 288	997 041
Intangible Assets												

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets	17 719	-	-	-	-	17 719	-	-	-	-	-	17 719
Jewellery	17 719	-	-	-	-	17 719	-	-	-	-	-	17 719
Heritage Assets												
<b>Total Asset Register</b>	<b>374 183 234</b>	<b>18 373 333</b>	<b>32 229 102</b>	<b>43 935 575</b>	<b>-</b>	<b>468 721 244</b>	<b>189 840 802</b>	<b>31 978 223</b>	<b>-</b>	<b>-</b>	<b>221 819 025</b>	<b>246 902 219</b>



**APPENDIX C**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	1 152 155	910 058	-	-	-	2 062 213	745 408	348 885	-	-	1 094 293	967 920
Finance and Administration	7 628 276	795 251	2 712 005	-	-	11 135 533	4 148 841	1 465 103	-	-	5 613 944	5 521 588
Planning and Development	847 154	221 591	-	-	-	1 068 744	310 741	167 256	-	-	477 997	590 747
Community and Social Services	74 362 113	6 552 753	11 675 241	1 317 581	-	93 907 688	25 662 075	3 379 710	-	-	29 041 784	64 865 904
Public Safety	2 137 315	552 815	684 878	-	-	3 375 008	644 839	441 733	-	-	1 086 572	2 288 436
Waste Management	5 584 475	795 284	1 109 887	-	-	7 489 646	770 200	414 313	-	-	1 184 513	6 305 133
Roads and Transport	282 471 746	8 545 580	16 047 091	42 617 994	-	349 682 411	157 558 699	25 761 223	-	-	183 319 921	166 362 490
<b>Total</b>	<b>374 183 234</b>	<b>18 373 333</b>	<b>32 229 102</b>	<b>43 935 575</b>	<b>-</b>	<b>468 721 244</b>	<b>189 840 802</b>	<b>31 978 223</b>	<b>-</b>	<b>-</b>	<b>221 819 025</b>	<b>246 902 219</b>

**APPENDIX D**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

2012 Actual Revenue	2012 Actual Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Revenue	2013 Actual Expenditure	2013 Surplus/ (Deficit)
R	R	R		R	R	R
150 000	26 731 838	(26 581 838)	Executive and Council	150 000	28 622 485	(28 472 485)
107 489 217	64 977 221	42 511 996	Finance and Administration	127 308 822	76 784 054	50 524 768
21 025 309	26 328 509	(5 303 200)	Planning and Development	52 169 835	50 055 567	2 114 267
1 040 838	2 838 369	(1 797 530)	Community and Social Services	(1 310 322)	2 544 672	(3 854 994)
3 983 910	7 788 378	(3 804 468)	Public Safety	4 135 735	9 597 904	(5 462 168)
2 006 613	7 839 457	(5 832 845)	Waste Management	2 661 831	10 349 438	(7 687 607)
<b>135 695 887</b>	<b>136 503 772</b>	<b>(807 885)</b>	<b>Total</b>	<b>185 115 901</b>	<b>177 954 119</b>	<b>7 161 782</b>

# APPENDIX E(1)

## UMZIMVUBU LOCAL MUNICIPALITY

### RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>												
<b>Governance and Administration:</b>												
Executive and Council	-	650 000	650 000	-	(150 000)	500 000	150 000	-	(350 000)	30.00	0.00	150 000
Budget and Treasury Office	134 589 566	7 169 581	141 759 147	-	3 689 400	145 448 547	127 065 006	-	(18 383 541)	87.36	94.41	107 210 000
Corporate Services	357 302	0	357 302	-	-	357 302	243 816	-	(113 486)	68.24	68.24	279 217
<b>Community and Public Safety:</b>												
Community and Social Services	110 863	(23 650)	87 213	-	-	87 213	(1 310 322)	-	(1 397 535)	0.00	0.00	1 040 838
Public Safety	4 185 274	(462 681)	3 722 593	-	-	3 722 593	4 135 735	-	413 142	111.10	98.82	3 983 910
<b>Economic and Environmental Services:</b>												
Planning and Development	52 160	2 276 209	2 328 369	-	0	2 328 369	391 655	-	(1 936 715)	16.82	750.87	2 033 300
Road Transport	67 293 836	9 878 497	77 172 333	-	(2 834 000)	74 338 333	51 778 180	-	(22 560 153)	69.65	76.94	18 992 009
<b>Trading Services:</b>												
Waste Management	1 015 842	0	1 015 842	-	-	1 015 842	2 661 831	-	1 645 989	262.03	262.03	2 006 613
<b>Total Revenue - Standard</b>	<b>207 604 842</b>	<b>19 487 957</b>	<b>227 092 799</b>	<b>-</b>	<b>705 400</b>	<b>227 798 199</b>	<b>185 115 901</b>	<b>-</b>	<b>(42 682 298)</b>	<b>81.26</b>	<b>89.17</b>	<b>135 695 887</b>
<b>EXPENDITURE - STANDARD</b>												
<b>Governance and Administration:</b>												
Executive and Council	28 665 039	689 661	29 354 700	-	535 632	29 890 332	28 622 485	-	(1 267 847)	95.76	99.85	26 731 838
Budget and Treasury Office	48 682 778	20 525 256	69 208 034	-	7 538 140	76 746 174	62 265 314	-	(14 480 860)	81.13	127.90	51 636 171
Corporate Services	13 808 175	99 737	13 907 912	-	340 522	14 248 434	14 518 740	-	270 306	101.90	105.15	13 341 050
<b>Community and Public Safety:</b>												
Community and Social Services	9 587 559	287 417	9 874 976	-	49 617	9 924 593	9 454 170	-	(470 423)	95.26	98.61	8 607 401
Public Safety	12 103 513	(255 726)	11 847 788	-	(250 000)	11 597 788	9 597 904	-	(1 999 885)	82.76	79.30	7 788 378
<b>Economic and Environmental Services:</b>												
Planning and Development	4 614 197	331 446	4 945 643	-	1 600 000	6 545 643	5 887 849	-	(657 794)	89.95	127.60	7 432 852
Road Transport	11 661 160	1 446 819	13 107 979	-	29 999 551	43 107 530	37 258 220	-	(5 849 310)	86.43	319.51	13 126 625
<b>Trading Services:</b>												
Waste Management	11 231 673	(1 105 016)	10 126 657	-	150 001	10 276 658	10 349 438	-	72 780	100.71	92.15	7 839 457
<b>Total Expenditure - Standard</b>	<b>140 354 095</b>	<b>22 019 595</b>	<b>162 373 690</b>	<b>-</b>	<b>39 963 462</b>	<b>202 337 152</b>	<b>177 954 119</b>	<b>-</b>	<b>(24 383 033)</b>	<b>87.95</b>	<b>126.79</b>	<b>136 503 772</b>
<b>Surplus/(Deficit) for the year</b>	<b>67 250 748</b>	<b>(2 531 638)</b>	<b>64 719 109</b>	<b>-</b>	<b>(39 258 062)</b>	<b>25 461 047</b>	<b>7 161 782</b>	<b>-</b>	<b>(18 299 265)</b>	<b>28.13</b>	<b>10.65</b>	<b>(807 885)</b>

**APPENDIX E(2)**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013**

Description	2012/13											2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>												
Vote 1 - Executive and Council	-	650 000	650 000	-	(150 000)	500 000	150 000	-	(350 000)	30.00	0.00	150 000
Vote 2 - Budget and Treasury	134 589 566	7 169 581	141 759 147	-	3 689 400	145 448 547	127 065 006	-	(18 383 541)	87.36	94.41	107 210 000
Vote 3 - Community and Social Services	5 311 979	(486 331)	4 825 648	-	-	4 825 648	5 487 244	-	661 596	113.71	103.30	7 031 361
Vote 4 - Corporate Services	357 302	0	357 302	-	-	357 302	243 816	-	(113 486)	68.24	68.24	279 217
Vote 5 - Local Economic Development	52 160	2 276 209	2 328 369	-	0	2 328 369	391 655	-	(1 936 715)	16.82	750.87	2 033 300
Vote 6 - Infrastructure and Planning	67 293 836	9 878 497	77 172 333	-	(2 834 000)	74 338 333	51 778 180	-	(22 560 153)	69.65	76.94	18 992 009
<b>Total Revenue by Vote</b>	<b>207 604 842</b>	<b>19 487 957</b>	<b>227 092 799</b>	<b>-</b>	<b>705 400</b>	<b>227 798 199</b>	<b>185 115 901</b>	<b>-</b>	<b>(42 682 298)</b>	<b>81.26</b>	<b>89.17</b>	<b>135 695 887</b>
<b>EXPENDITURE BY VOTE</b>												
Vote 1 - Executive and Council	35 605 470	957 078	36 562 548	-	576 333	37 138 881	35 531 983	-	(1 606 898)	95.67	99.79	32 500 870
Vote 2 - Budget and Treasury	48 682 778	20 525 256	69 208 034	-	7 538 140	76 746 174	62 265 314	-	(14 480 860)	81.13	127.90	51 636 171
Vote 3 - Community and Social Services	25 982 314	(1 340 741)	24 641 573	-	(91 083)	24 550 490	22 492 013	-	(2 058 477)	91.62	86.57	18 466 204
Vote 4 - Corporate Services	13 808 175	99 737	13 907 912	-	340 522	14 248 434	14 518 740	-	270 306	101.90	105.15	13 341 050
Vote 5 - Local Economic Development	4 614 197	331 446	4 945 643	-	1 600 000	6 545 643	5 887 849	-	(657 794)	89.95	127.60	7 432 852
Vote 6 - Infrastructure and Planning	11 661 160	1 446 819	13 107 979	-	29 999 551	43 107 530	37 258 220	-	(5 849 310)	86.43	319.51	13 126 625
<b>Total Expenditure by Vote</b>	<b>140 354 095</b>	<b>22 019 595</b>	<b>162 373 690</b>	<b>-</b>	<b>39 963 462</b>	<b>202 337 152</b>	<b>177 954 119</b>	<b>-</b>	<b>(24 383 033)</b>	<b>87.95</b>	<b>126.79</b>	<b>136 503 772</b>
<b>Surplus/(Deficit) for the year</b>	<b>67 250 748</b>	<b>(2 531 638)</b>	<b>64 719 109</b>	<b>-</b>	<b>(39 258 062)</b>	<b>25 461 047</b>	<b>7 161 782</b>	<b>-</b>	<b>(18 299 265)</b>	<b>28.13</b>	<b>10.65</b>	<b>(807 885)</b>

**APPENDIX E(3)**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

Description	2012/13										2011/12	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>												
Property Rates	8 432 000	-	8 432 000	-	-	8 432 000	10 787 418	-	2 355 418	127.93	127.93	9 114 470
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Service Charges - Electricity	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Service Charges - Water	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Service Charges - Sanitation	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Service Charges - Refuse	1 000 000	-	1 000 000	-	-	1 000 000	2 116 831	-	1 116 831	211.68	211.68	2 006 595
Service Charges - Other	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Rental of Facilities and Equipment	1 143 656	55 460	1 199 116	-	-	1 199 116	1 533 764	-	334 648	127.91	134.11	885 430
Interest Earned - External Investments	3 729 994	(3 517 341)	212 653	-	3 689 000	3 901 653	2 250 781	-	(1 650 872)	57.69	60.34	2 127 973
Interest Earned - Outstanding Debtors	270 138	465 304	735 442	-	-	735 442	1 138 910	-	403 468	154.86	421.60	427 813
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Fines	863 681	(463 681)	400 000	-	-	400 000	438 192	-	38 192	109.55	50.74	778 265
Licences and Permits	2 208 553	(6 660)	2 201 893	-	-	2 201 893	2 110 477	-	(91 416)	95.85	95.56	2 161 159
Agency Services	943 200	-	943 200	-	-	943 200	1 295 379	-	352 179	137.34	137.34	1 072 014
Transfers Recognised - Operational	174 728 000	19 480 844	194 208 844	-	(2 984 000)	191 224 844	161 673 380	-	(29 551 464)	84.55	92.53	115 038 434
Other Revenue	13 885 100	3 479 431	17 364 531	-	-	17 364 531	1 764 770	-	(15 599 761)	10.16	12.71	2 083 734
Gains on Disposal of PPE	400 520	(5 400)	395 120	-	400	395 520	-	-	(395 520)	0.00	0.00	-
<b>Total Revenue (excluding Capital Transfers &amp; Contributions)</b>	<b>207 604 842</b>	<b>19 487 957</b>	<b>227 092 799</b>	<b>-</b>	<b>705 400</b>	<b>227 798 199</b>	<b>185 109 901</b>	<b>-</b>	<b>(42 688 298)</b>	<b>81.26</b>	<b>89.16</b>	<b>135 695 887</b>
<b>Expenditure</b>												
Employee Related Costs	60 240 718	(576 005)	59 664 714	-	(16 061 092)	43 603 622	39 563 919	-	(4 039 703)	90.74	65.68	33 939 533
Remuneration of Councillors	-	-	-	-	14 322 872	14 322 872	13 219 975	-	(1 102 897)	92.30	0.00	13 113 451
Debt Impairment	2 000 000	1 000 000	3 000 000	-	7 000 000	10 000 000	6 504 223	-	(3 495 777)	65.04	325.21	7 662 834
Depreciation and Asset Impairment	28 674 000	10 326 000	39 000 000	-	-	39 000 000	31 978 223	-	(7 021 777)	82.00	111.52	29 275 792
Finance Charges	17 918	2 922	20 840	-	(180)	20 660	972 496	951 836	951 836	4 707.14	5 427.48	664 232
Other Materials	2 519 464	(36 502)	2 482 962	-	194 730	2 677 692	2 520 519	-	(157 173)	94.13	100.04	5 430 692
Contracted Services	2 200 000	671 500	2 871 500	-	(30 609)	2 840 891	2 138 509	-	(702 382)	75.28	97.20	639 097
Transfers and Grants	1 600 000	1 300 000	2 900 000	-	32 000 000	34 900 000	29 171 918	-	(5 728 082)	83.59	1 823.24	3 422 676
Other Expenditure	43 101 994	9 331 680	52 433 674	-	2 537 741	54 971 415	51 845 371	-	(3 126 044)	94.31	120.29	42 355 465
Loss on Disposal of PPE	-	-	-	-	-	-	38 967	38 967	38 967	0.00	0.00	-
<b>Total Expenditure</b>	<b>140 354 095</b>	<b>22 019 595</b>	<b>162 373 690</b>	<b>-</b>	<b>39 963 462</b>	<b>202 337 152</b>	<b>177 954 119</b>	<b>990 803</b>	<b>(24 383 033)</b>	<b>87.95</b>	<b>126.79</b>	<b>136 503 772</b>
<b>Surplus/(Deficit)</b>	<b>67 250 748</b>	<b>(2 531 638)</b>	<b>64 719 109</b>	<b>-</b>	<b>(39 258 062)</b>	<b>25 461 047</b>	<b>7 155 782</b>	<b>(990 803)</b>	<b>(18 305 265)</b>	<b>28.10</b>	<b>10.64</b>	<b>(807 885)</b>
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Contributed Assets	-	-	-	-	-	-	6 000	6 000	6 000	0.00	0.00	-
<b>Surplus/(Deficit) after Capital Transfers and Contributions</b>	<b>67 250 748</b>	<b>(2 531 638)</b>	<b>64 719 109</b>	<b>-</b>	<b>(39 258 062)</b>	<b>25 461 047</b>	<b>7 161 782</b>	<b>(984 803)</b>	<b>(18 299 265)</b>	<b>28.13</b>	<b>10.65</b>	<b>(807 885)</b>
<b>Surplus/(Deficit) for the Year</b>	<b>67 250 748</b>	<b>(2 531 638)</b>	<b>64 719 109</b>	<b>-</b>	<b>(39 258 062)</b>	<b>25 461 047</b>	<b>7 161 782</b>	<b>(984 803)</b>	<b>(18 299 265)</b>	<b>28.13</b>	<b>10.65</b>	<b>(807 885)</b>
												(0)

**APPENDIX E(4)**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2013**

Description	2012/13											2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE - VOTE</b>												
<b>Multi-year Expenditure</b>												
Vote 1 - Executive & Council	195 230	612 770	808 000	-	-	808 000	910 058		102 058	112.63	466.15	44 666
Vote 2 - Budget & Treasury	935 776	(15 776)	920 000	-	-	920 000	62 998		(857 002)	6.85	6.73	402 829
Vote 3 - Corporate Services	1 118 303	(346 287)	772 016	-	-	772 016	3 357 859		2 585 843	434.95	300.26	-
Vote 4 - Local Economic Development	6 052 700	1 968 224	8 020 924	-	-	8 020 924	221 591		(7 799 333)	2.76	3.66	437 817
Vote 5 - Infrastructure & Planning	86 755 786	6 069 143	92 824 929	-	-	92 824 929	25 630 006		(67 194 923)	27.61	29.54	36 425 038
Vote 6 - Citizen & Community Services	31 620	-	31 620	-	-	31 620	17 680 253		17 648 633	55 914.78	55 914.78	5 171 272
Vote 7 - Waste Management	1 031 620	600 000	1 631 620	-	-	1 631 620	795 284		(836 336)	48.74	77.09	-
Vote 8 - Public Safety	1 410 000	300 000	1 710 000	-	-	1 710 000	1 237 693		(472 307)	72.38	87.78	-
<b>Total Capital Expenditure - Multi-year</b>	<b>97 531 035</b>	<b>9 188 074</b>	<b>106 719 109</b>	<b>-</b>	<b>-</b>	<b>106 719 109</b>	<b>49 895 742</b>	<b>-</b>	<b>(56 823 367)</b>	<b>46.75</b>	<b>51.16</b>	<b>42 481 622</b>
<b>Total Capital Expenditure - Vote</b>	<b>97 531 035</b>	<b>9 188 074</b>	<b>106 719 109</b>	<b>-</b>	<b>-</b>	<b>106 719 109</b>	<b>49 895 742</b>	<b>-</b>	<b>(56 823 367)</b>	<b>46.75</b>	<b>51.16</b>	<b>42 481 622</b>
<b>CAPITAL EXPENDITURE - STANDARD</b>												
<b>Governance and Administration:</b>												
Executive and council	195 230	612 770	808 000	-	-	808 000	910 058		102 058	112.63	466.15	44 666
Budget and treasury office	935 776	(15 777)	919 999	-	-	919 999	62 998		(857 001)	6.85	6.73	402 829
Corporate services	1 118 303	(346 286)	772 017	-	-	772 017	3 357 859		2 585 842	434.95	300.26	-
<b>Community and Public Safety:</b>												
Community and social services	31 620	-	31 620	-	-	31 620	17 680 253		17 648 633	55 914.78	55 914.78	5 171 272
Public safety	1 410 000	300 000	1 710 000	-	-	1 710 000	1 237 693		(472 307)	72.38	87.78	-
<b>Economic and Environmental Services:</b>												
Planning and development	6 052 700	1 968 224	8 020 924	-	-	8 020 924	221 591		(7 799 333)	2.76	3.66	437 817
Road transport	86 755 786	6 069 143	92 824 929	-	-	92 824 929	25 630 006		(67 194 923)	27.61	29.54	36 425 038
<b>Trading Services:</b>												
Waste water management		-		-	-		795 284		795 284			
Waste management	1 031 620	600 000	1 631 620	-	-	1 631 620	-		(1 631 620)	0.00	0.00	-
<b>Total Capital Expenditure - Standard</b>	<b>97 531 035</b>	<b>9 188 074</b>	<b>106 719 109</b>	<b>-</b>	<b>-</b>	<b>106 719 109</b>	<b>49 895 742</b>	<b>-</b>	<b>(56 823 367)</b>	<b>46.75</b>	<b>51.16</b>	<b>42 481 622</b>
<b>FUNDED BY:</b>												
National Government	97 531 035	9 188 074	106 719 109	-	-	106 719 109	49 895 742	-	(56 823 367)	46.75	51.16	42 481 622
<b>Transfers Recognised - Capital</b>	<b>97 531 035</b>	<b>9 188 074</b>	<b>106 719 109</b>	<b>-</b>	<b>-</b>	<b>106 719 109</b>	<b>49 895 742</b>	<b>-</b>	<b>(56 823 367)</b>	<b>46.75</b>	<b>51.16</b>	<b>42 481 622</b>
<b>Total Capital Funding</b>	<b>97 531 035</b>	<b>9 188 074</b>	<b>106 719 109</b>	<b>-</b>	<b>-</b>	<b>106 719 109</b>	<b>49 895 742</b>	<b>-</b>	<b>(56 823 367)</b>	<b>46.75</b>	<b>51.16</b>	<b>42 481 622</b>
	0	(0)										

# APPENDIX E(5)

## UMZIMVUBU LOCAL MUNICIPALITY

### RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13								2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	9 432 000	-	9 432 000	9 432 000	11 615 324	2 183 324	123.15	123.15	32 867 896
Government - Operating	109 767 000	1 634 797	111 401 797	111 401 797	166 028 424	54 626 627	149.04	151.26	96 741 954
Government - Capital	67 795 000	-	67 795 000	67 795 000	19 676 576	(48 118 424)	29.02	29.02	18 005 133
Interest	3 729 994	-	3 729 994	3 729 994	2 367 222	(1 362 772)	63.46	63.46	2 555 785
<b>Payments</b>									
Suppliers and Employees	(105 207 890)	1 300 000	(103 907 890)	(71 907 890)	(104 922 888)	(33 014 998)	0.00	0.00	(97 558 381)
Finance Charges	(17 918)	-	(17 918)	(17 918)	(972 496)	(954 578)	0.00	0.00	(664 232)
Transfers and Grants	(1 600 000)	(1 300 000)	(2 900 000)	(34 900 000)	(29 171 918)	5 728 082	0.00	0.00	(3 422 676)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>83 898 186</b>	<b>1 634 797</b>	<b>85 532 983</b>	<b>85 532 983</b>	<b>64 620 245</b>	<b>(20 912 738)</b>	<b>75.55</b>	<b>77.02</b>	<b>48 525 479</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	105 400	(5 000)	100 400	100 400	36 274	(64 126)	36.13	34.42	-
<b>Payments</b>									
Capital Assets	(112 853 244)	6 162 635	(106 690 609)	(106 690 609)	(49 895 742)	56 794 867	0.00	0.00	(43 298 868)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(112 747 844)</b>	<b>6 157 635</b>	<b>(106 590 209)</b>	<b>(106 590 209)</b>	<b>(49 859 469)</b>	<b>56 730 740</b>	<b>0.00</b>	<b>0.00</b>	<b>(43 298 868)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Payments</b>									
Loans repaid	-	-	-	-	(318 749)	(318 749)	0.00	0.00	(291 413)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(318 749)</b>	<b>(318 749)</b>	<b>0.00</b>	<b>0.00</b>	<b>(291 413)</b>
					318 749				291 413
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>28 849 658</b>	<b>(7 792 432)</b>	<b>21 057 226</b>	<b>21 057 226</b>	<b>(14 442 027)</b>	<b>(35 499 253)</b>	<b>0.00</b>	<b>0.00</b>	<b>(4 935 198)</b>
Cash / Cash Equivalents at the Year begin:	468 982 687	11 524 730	480 507 417	480 507 417	34 559 735	(445 947 682)	7.19	7.37	29 624 537
Cash / Cash Equivalents at the Year end:	440 133 029	19 317 162	459 450 191	459 450 191	49 001 762	(410 448 429)	10.67	11.13	34 559 735

**APPENDIX F**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed /				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	44 187 000	35 343 000	26 513 000										N/A	Yes	N/A
FMG	Nat Treasury	1 500 000				113 673	217 859	330 385	838 083					N/A	Yes	N/A
MIG Projects	Nat Treasury	10 648 000	21 300 000	5 847 000		42 835	3 228 856	2 916 015	13 488 869					N/A	Yes	N/A
MSIG	COGTA	927 018				35 318	285 127	331 792	269 956					N/A	Yes	N/A
EPW Incentive Grant	Public Works	1 704 734	370 000	425 000		447 462	620 269	697 949	669 392					N/A	Yes	N/A
Operation Clean Audit				5 000 000	3 000 000				2 857 905					N/A	Yes	N/A
DEDEA Projects	DEDEA	520 279							290 657					N/A	Yes	N/A
INEP	Minerals & Energy	30 000 000					18 521 490	4 512 226	4 764 260					N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>89 487 031</b>	<b>57 013 000</b>	<b>37 785 000</b>	<b>3 000 000</b>	<b>639 288</b>	<b>22 873 601</b>	<b>8 788 368</b>	<b>23 179 122</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			

(\*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?



**APPENDIX G**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT (GRAP 20)**

30 June 2013

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
		From	To					
				R	R	R	R	R
<b>Mayor</b>								
KS Pangwa	3078	2012/07/01	2013/06/30	337 005	-	251 698	62 160	650 863
<b>Speaker: Full Time</b>								
ZO Sisilana	3159	2012/07/01	2013/06/30	285 427	-	220 863	59 098	565 389
<b>Chief WIP: Full Time</b>								
N Mbele	3117	2012/07/01	2013/06/30	253 918	-	227 108	45 288	526 314
<b>Executive Committee</b>								
MV Nkqayi	3116	2012/07/01	2013/06/30	250 441	-	237 691	45 288	533 420
VA Bulana	3085	2012/07/01	2013/06/30	141 775	-	130 397	39 774	311 946
LT Qasha	3150	2012/07/01	2013/06/30	250 441	-	204 781	61 858	517 079
Z Ndevu	3045	2012/07/01	2013/06/30	254 309	-	212 733	53 438	520 480
EN Ngalonkulu - Lebelo	3047	2012/07/01	2013/06/30	142 060	-	89 995	39 101	271 156
N Mpumlwana	3136	2012/07/01	2013/06/30	250 441	-	204 460	45 288	500 188
N Nkula	3118	2012/07/01	2013/06/30	138 192	-	109 984	29 444	277 620
PK Thingathinga	3102	2012/07/01	2013/06/30	142 060	-	114 237	29 444	285 742
<b>Other Councillors</b>								
FJ Hem	3156	2012/07/01	2013/06/30	100 027	-	69 725	24 163	193 915
AL Mwezula	3140	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
MM Mpepanduku	3091	2012/07/01	2013/06/30	104 359	-	63 081	30 807	198 247
X Jona	3158	2012/07/01	2013/06/30	99 777	-	69 725	24 163	193 665
M Mpakumpaku	3154	2012/07/01	2013/06/30	100 776	-	71 067	24 163	196 005
NM Mlenzana	3147	2012/07/01	2013/06/30	100 776	-	85 284	30 297	216 356
M Jojo	3122	2012/07/01	2013/06/30	100 776	-	72 053	24 163	196 992
ZJ Mendu	3128	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
V Nyangane	3131	2012/07/01	2013/06/30	100 776	-	67 332	29 300	197 408
N Gogela	3145	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
ZB Mtebele	3138	2012/07/01	2013/06/30	100 776	-	63 081	30 807	194 664
CT Ndawo	3137	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
BMA Zililo	3129	2012/07/01	2013/06/30	100 776	-	71 507	24 163	196 446
N Sonyabashi	3135	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
SAN Cekeshe	3113	2012/07/01	2013/06/30	100 776	-	74 993	24 163	199 932
S Mankanku	3132	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
NT Xezu	3112	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
N Jijana	3142	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
V Ngabaza	3123	2012/07/01	2013/06/30	100 776	-	63 148	30 740	194 664
FN Ngonyolo	3115	2012/07/01	2013/06/30	100 776	-	63 081	30 807	194 664
CM Ngalonkulu	3114	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
BT Ngqasa	3149	2012/07/01	2013/06/30	100 776	-	84 984	24 163	209 923
MH Kwekwile	3133	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
NA Sobahle	3139	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
NP Ndabeni	3126	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
S Nogcantsi	3130	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
SP Myingwa	3157	2012/07/01	2013/06/30	99 777	-	69 725	24 163	193 665
NE Pakkies	3122	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
T Mabindisa	3141	2012/07/01	2013/06/30	100 776	-	76 892	24 163	201 831
MM Gwanya	3155	2012/07/01	2013/06/30	100 027	-	69 725	24 163	193 915
AZ Gwebani	3006	2012/07/01	2013/06/30	104 644	-	77 355	24 163	206 162
N Boyce	3125	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
B Mngweba	3127	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
NO Godlo	3124	2012/07/01	2013/06/30	100 776	-	71 100	24 163	196 039
NP Mlandu	3120	2012/07/01	2013/06/30	100 776	-	63 081	30 807	194 664
GU Makanda	3088	2012/07/01	2013/06/30	104 359	-	70 694	24 163	199 216
TA Mambi	3146	2012/07/01	2013/06/30	100 776	-	71 233	24 163	196 172
F Ntwakumba	3143	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
NN Gcadinja	3084	2012/07/01	2013/06/30	104 644	-	66 478	27 410	198 532
N Mpanda	3094	2012/07/01	2013/06/30	144 110	-	81 404	29 555	255 069
SK Mnukwa	3153	2012/07/01	2013/06/30	104 644	-	70 192	32 470	207 305
B Ripa	3148	2012/07/01	2013/06/30	100 776	-	71 657	24 163	196 596
NA Matshongo	3144	2012/07/01	2013/06/30	100 776	-	69 725	24 163	194 664
<b>Total for Councillors</b>				6 838 035	-	5 037 586	1 610 566	13 486 187

Incumbent	Personal Reference Number	Period		Basic	Bonuses	Allowances	Contributions to Funds	Total
		From	To	Salaries				Remuneration
				R	R	R	R	R
GPT Nota	4274	2012/07/01	2013/06/30	736 720	110 055	280 865	138 486	1 266 126
<b>Chief Financial Officer</b>								
M Hloba	4233	2012/07/01	2012/08/30	215 132	79 600	62 073	13 255	370 060
X. Msuthu (Acting)	4314	2012/09/01	2013/06/30	422 433	68 236	186 750	44 290	721 709
<b>Manager: Community Services</b>								
M Sineke	4281	2012/07/01	2013/06/30	501 087	86 541	286 107	-	873 735
<b>Manager: Corporate Services</b>								
N Kubone	4280	2012/07/01	2013/06/30	500 962	86 541	267 932	28 515	883 950
<b>Manager: Local Economic Development</b>								
SL Batyi (Acting)	4267	2012/07/01	2013/06/30	395 803	62 425	243 556	30 225	732 010
<b>Manager: Infrastructure and Planning</b>								
SP Ntonga	1517	2012/07/01	2013/06/30	502 584	86 541	306 151	-	895 276
<b>Manager: Chief Operations Officer</b>								
S Kulu	4158	2012/07/01	2013/06/30	532 678	69 981	231 003	55 121	888 783
<b>Total for Senior Managers</b>				3 807 397	649 921	1 864 437	309 893	6 631 648
<b>Total for Management</b>				10 645 432	649 921	6 902 023	1 920 459	20 117 835

Incumbent	Personal Reference Number	Period		Basic	Bonuses	Allowances	Contributions to Funds	Total
		From	To	Salaries				Remuneration
				R	R	R	R	R
<b>Mayor</b>								
KS Pangwa	3078	2011/07/01	2012/06/30	315 660	-	238 420	61 715	615 795
<b>Speaker: Part Time</b>								
ZO Sisilana	3152	2011/07/01	2012/03/30	105 236		80 288	27 463	212 988
<b>Speaker: Full Time</b>								
ZO Sisilana	3159	2012/04/01	2012/06/30	61 190		58 769	13 498	133 457
<b>Chief WIP: Part Time</b>								
N Mbele	3089	2011/07/01	2011/09/30	21 853		22 239	7 598	51 690
<b>Chief WIP: Full Time</b>								
N Mbele	3117	2011/10/01	2012/06/30	178 834		166 530	38 091	383 455
<b>Executive Committee</b>								
MV Nkqayi	3116	2011/07/01	2012/06/30	236 745		189 550	50 606	476 901
VA Bulana	3085	2011/07/01	2012/06/30	130 210		110 806	35 610	276 625
LT Qasha	3150	2011/07/01	2012/06/30	236 745		216 080	50 606	503 431
Z Ndevu	3045	2011/07/01	2012/06/30	236 745		203 152	50 606	490 504
EN Ngalonkulu - Lebelo	3047	2011/07/01	2012/06/30	130 210		88 784	35 610	254 604
N Mpumlwana	3136	2011/07/01	2012/06/30	236 745		187 151	50 606	474 503
N Nkula	3118	2011/07/01	2012/06/30	130 210		97 265	35 610	263 085
PK Thingathinga	3102	2011/07/01	2012/06/30	130 210		113 032	35 610	278 851
<b>Other Councillors</b>								
M Mataka	3023	2011/07/01	2011/09/30	23 310		18 115	7 598	49 023
M Mabanya	3111	2011/07/01	2011/10/30	32 052		20 432	10 131	62 614
EL Sishuba	3100	2011/07/01	2011/12/31	48 078		31 902	15 196	95 176
N Goqa	3134	2011/07/01	2011/12/31	48 078		28 511	15 196	91 785
FJ Hem	3156	2011/12/01	2012/06/30	54 634		35 701	17 947	108 282
AL Mwezula	3140	2011/07/01	2012/06/30	94 699		60 510	30 611	185 819
MM Mpepanduku	3091	2011/07/01	2012/06/30	94 699		66 141	30 611	191 451
M Mpakumpaku	3154	2011/07/01	2012/06/30	94 699		62 242	30 611	187 552
X Jona	3158	2012/04/01	2012/06/30	22 946		15 184	7 762	45 892
NM Mlenzana	3147	2011/07/01	2012/06/30	94 699		76 059	30 611	201 369
M Jojo	3122	2011/07/01	2012/06/30	94 699		60 060	30 611	185 369
ZJ Mendu	3128	2011/07/01	2012/06/30	94 699		60 530	30 611	185 840
V Nyangane	3131	2011/07/01	2012/06/30	94 699		59 760	30 611	185 069
N Gogela	3145	2011/07/01	2012/06/30	94 699		59 310	30 611	184 619
ZB Mtebele	3138	2011/07/01	2012/06/30	94 699		60 660	30 611	185 969
CT Ndawo	3137	2011/07/01	2012/06/30	94 699		60 210	30 611	185 519
BMA Zililo	3129	2011/07/01	2012/06/30	94 699		62 013	30 611	187 322
N Sonyabashi	3135	2011/07/01	2012/06/30	94 699		60 210	30 611	185 519
SAN Cekeshe	3113	2011/07/01	2012/06/30	94 699		67 281	30 611	192 590
S Mankanku	3132	2011/07/01	2012/06/30	94 699		58 260	30 611	183 569
NT Xezu	3112	2011/07/01	2012/06/30	94 699		60 510	30 611	185 819
N Jijana	3142	2011/07/01	2012/06/30	94 699		63 802	30 611	189 111
V Ngabaza	3123	2011/07/01	2012/06/30	94 699		58 860	30 611	184 169
FN Ngonyolo	3115	2011/07/01	2012/06/30	94 699		61 710	30 611	187 019
CM Ngalonkulu	3114	2011/07/01	2012/06/30	94 699		59 610	30 611	184 919
BT Ngqasa	3149	2011/07/01	2012/06/30	94 699		73 897	30 611	199 207
MH Kwekwile	3133	2011/07/01	2012/06/30	94 699		62 610	30 611	187 919
NA Sobahle	3139	2011/07/01	2012/06/30	94 699		60 810	30 611	186 119
NP Ndabeni	3126	2011/07/01	2012/06/30	94 699		64 943	30 611	190 252
S Nogcantsi	3130	2011/07/01	2012/06/30	94 699		60 735	30 611	186 044
SP Myingwa	3157	2012/02/01	2012/06/30	38 608		24 997	12 882	76 487
NE Pakkies	3122	2011/07/01	2012/06/30	94 699		59 610	30 611	184 919
T Mabindisa	3141	2011/07/01	2012/06/30	94 699		67 276	30 611	192 585
MM Gwanya	3155	2011/12/01	2012/06/30	54 634		36 001	17 947	108 582
AZ Gwebani	3006	2011/07/01	2012/06/30	94 699		68 457	30 611	193 767
N Boyce	3125	2011/07/01	2012/06/30	94 699		59 160	30 611	184 469
B Mngweba	3127	2011/07/01	2012/06/30	94 699		58 260	30 611	183 569
NO Godlo	3124	2011/07/01	2012/06/30	94 699		64 966	30 611	190 276
NP Mlandu	3120	2011/07/01	2012/06/30	94 699		60 060	30 611	185 369
GU Makanda	3088	2011/07/01	2012/06/30	94 699		60 682	30 611	185 991
TA Mambi	3146	2011/07/01	2012/06/30	94 699		60 434	30 611	185 744
F Ntwakumba	3143	2011/07/01	2012/06/30	94 699		60 510	30 611	185 819
NN Gcadinja	3084	2011/07/01	2012/06/30	94 699		60 510	30 611	185 819
N Mpanda	3094	2011/07/01	2012/06/30	94 699		64 316	30 611	189 626
SK Mnu kwa	3153	2011/07/01	2012/06/30	94 699		79 254	30 611	204 564
B Ripa	3148	2011/07/01	2012/06/30	94 699		65 643	30 611	190 952
NA Matshongo	3144	2011/07/01	2012/06/30	94 699		59 160	30 611	184 469
<b>Total for Councillors</b>				6 166 190	-	4 431 932	1 791 701	12 389 822

Incumbent	Personal Reference Number	Period		Basic	Bonuses	Allowances	Contributions to Funds	Total
		From	To	Salaries				Remuneration
				R	R	R	R	R
GPT Nota	4274	2011/07/01	2012/06/30	86 910	5 845	94 620	30 891	218 265
<b>Chief Financial Officer</b>								
M Hloba	4233	2011/07/01	2012/06/30	15 429	6 704	31 942	74 748	128 823
<b>Manager: Community Services</b>								
M Sineke	4281	2011/07/01	2012/06/30	467 011	35 829	276 163	-	779 003
<b>Manager: Corporate Services</b>								
N Kubone	4280	2011/07/01	2012/06/30	467 011	71 657	250 095	26 730	815 494
<b>Manager: Local Economic Development</b>								
P Vitshima	4217	2011/07/01	2012/06/30	35 829	23 886	15 879	4 771	80 365
<b>Manager: Infrastructure and Planning</b>								
SP Ntonga	1517	2011/07/01	2012/06/30	467 011	50 160	299 928	-	817 100
<b>Manager: Chief Operations Officer</b>								
S Kulu	4158	2011/07/01	2012/06/30	467 011	42 994	222 300	51 670	783 976
<b>Total for Senior Managers</b>				2 006 214	237 075	1 190 928	188 809	3 623 026
<b>Total for Management</b>				8 172 404	237 075	5 622 860	1 980 510	16 012 848